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ROYAL COMMISSION ON COAL

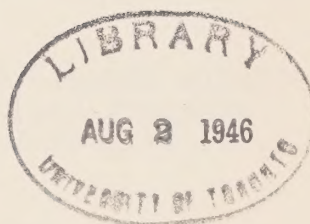
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U.S. DEPARTMENT OF AGRICULTURE

WATER RESOURCES DIVISION

UNIT NO. 10 - Aerial Photographs of the
Tributaries of the Pacific Ocean
in the State of California and the
adjacent waters.

10.1 - Aerial Photograph of the Pacific Coast
from the mouth of the San Francisco Bay
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ROYAL COMMISSION ON COAL

Vancouver, B.C.,
Tuesday,
March 27, 1945.

The Commission convened at the Court House, Vancouver, B.C., at 10.00 A.M. on Tuesday, March 27th, 1945.

PRESENT:

Mr. Justice W. F. Carroll, Chairman
Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary

BY MR. FRAWLEY: Mr. Murray?

MR. GEORGE MURRAY continues presentation of Brief on behalf of Merritt Coal Mines Ltd., Exhibit No. 92:

Markets

Some of our markets have also been regulated out of existence by the action of the Coal Controller; we herewith give you a specific instance.

In December of 1943, all of our output shipped by rail was being sold to the B. C. Electric Railway's gas plant at Vancouver, and at this time the Coal Controller issued a blanket order to the above Company advising them that no coals other than those from Canadian Collieries and Michel Mines could be used at their gas plant.

We strongly protested this decision by the Coal Controller and after a lengthy controversy, Mr. E. J. Brunning, Coal Controller, consented to the running of a test of our coal in the gas plant at Vancouver.

Results of the above test satisfied the Dominion Government engineer making the test, that 20% of our coal could be blended with Vancouver Island and Michel coals.

We then requested the Coal Controller to exercise his authority to have our coal reintroduced to the gas plant. The Coal Controller's reply to this request was to the effect that he would advise the B. C. Electric Railway Co. that they may use up to 20% of our coal should they feel so inclined.

The net result of this situation was that the B. C. Electric Rly. Co. decided not to use our coal, giving price as the reason, and we were deprived of the only outlet for our production and forced to seek other markets in mid-winter season and when every industrial and heating plant was operating under contract for their winter's fuel supply. Since most of the fuel supply contracts expire at the end of April and it is the practice of the fuel consumer whenever possible to maintain a reserve stockpile, we found ourselves compelled to suspend operations for nearly 1½ months through lack of markets.

BY THE CHAIRMAN: Didn't the Coal Controller supply you with a market? Didn't he switch your coal some place else?

MR. MURRAY: Only 10 cars. I have the correspondence dealing with that. (Continues Brief):

This in brief gives your Commission an outline of the supervision and regulation of our operation by Dominion Government agencies, and we feel that we have every reason to call the administration highly discriminatory, as compared with the patronage extended to mines operating in the same competitive area. By reason of extensive correspondence and protests by our company, we have been able to obtain a small measure of assistance from the Emergency Coal Production Board, but we have also very often been accused of being unwilling to give them our co-operation.

In view of the treatment which we have received from the Emergency Coal Production Board, we have been forced to the conclusion that they have left little room for co-operation; but had their desire been to put us out of existence their record of administration of the affairs of Merritt Coal Mines

Limited leave little remaining to be done for the accomplishment of that objective.

5. RELATION BETWEEN PRODUCTION AND RESEARCH ORGANIZATIONS

Since we are at present only a small operation, we have had no occasion as yet to contact any such organization. Past experience, whilst engaged in other mining operations, has shown the writer that all such research organizations are more than willing to give their assistance to the industry.

6. PRODUCTION OR MANUFACTURE OF COKE AND ITS BY-PRODUCTS

The coal produced from some of the existing seams in the Nicola coal area has proven to be of excellent quality for the production of domestic and metallurgical coke; but since suspension of shipments previously referred to, none of the coal from this area is at present processed to coke.

BY THE CHAIRMAN: Where are your coke operating plants in the province?

MR. MURRAY: Situated at Michel and here at Vancouver; these are the only two.

Q And what is the output used for?

A Well, it is used in the city here in the manufacture of gas. I believe in the Crow's Nest Pass it is used to derive a certain amount of coke and some by-products that are used.

Q Any steel industry here?

A No. (Continues brief):

7. LOW TEMPERATURE CARBONIZATION, LIQUIFICATION, HYDROGENATION &C.

Whilst much has been accomplished in this direction and many glowing and optimistic articles are published as to the present and future possibilities in this field, many of the attendant all-important factors upon which the success of such an enterprise depends are entirely ignored. Location of the coal area in relation to possible markets, freight costs to possible markets and the capacity of such markets to absorb the by-products are all deciding factors.

Speaking generally, and having in mind factors such as the large amount of capital necessary for the establishment of such an industry, the present extent of industrial development in Western Canada and United States, the remoteness of our coal fields from industrial centres where possible markets for by-products may exist and the present very unstable basis upon which coal production exists it is our conclusion that little can be expected to be accomplished in this field.

BY THE CHAIRMAN: Mr. Murray, do you do anything about the coal to make it a better fuel, household fuel?

MR. MURRAY: Well, we are only in the development stage and we simply hand pick it. At present we haven't got any facilities for really preparing coal. (Continues brief):

DISTRIBUTION

1. TERRITORIAL EXTENT OF MARKETS EXCLUSIVE OF SUBSIDIES, TARIFFS, SUBVENTIONS

The territorial extent of markets for coals from the Nicola area may be said to be confined to an area extending from 50 miles east of Merritt and 180 miles westward to the Coastal Area and the possible development of a limited seaborne trade.

2. TERRITORIAL EXTENT OF MARKET FOR VARIOUS COALS, TAKING INTO ACCOUNT TARIFF PROTECTION, PEACE-TIME SUBSIDIES OR SUBVENTIONS AND WARTIME SUBSIDIES OR SUBVENTIONS

a. Tariff Protection

The tariff protection established in Western United States has precluded our acquiring markets in that area.

b. Peace-time subventions were sufficient to enable the shipment of a considerable tonnage of Alberta coals to markets further east and to a large extent kept this coal out of competition with British Columbia coals.

c. Wartime subventions on coal shipped westward from the Alberta coal fields has largely intensified the competition with B. C. coals. Whether by reason of the withdrawal of subvention, on coal shipped eastward, from the Crow's Nest Pass area and the Alberta coal fields; or by regulation of the Coal Controller; coal imported from the United States supplied

the former Crow's Nest Pass and Alberta's markets and this had the effect of intensifying their competition in the western market.

BY THE CHAIRMAN: What do you mean by peacetime subventions as applied to this area?

MR. MURRAY: There were peacetime subventions which applied to coal going east, I understand, to enable them to compete with United States coal coming into the middle provinces. That was what I had in mind.

Q Of course your Company never took advantage of anything of that kind?

A No, we are only a recent development, but I was in charge of another operation at that time and we were in the position of being too much in between. We were too far west to get advantage of that.

BY COMMISSIONER McLAURIN: Your coal is not subject to any tariff in the United States?

MR. MURRAY: Yes, I believe there is a tariff on the smaller sizes of coal.

BY MR. FRAWLEY: I think there is none at all.

BY COMMISSIONER McLAURIN: My information is there has not been any since 1932 or 1934. Any Canadian coal can go into the American market free.

MR. MURRAY: I don't think. I think at one time they had a tariff of \$1 a ton.

BY COMMISSIONER McLAURIN: I am saying since around 1932 the United States lets all Canadian coal in free.

BY MR. FRAWLEY: That is certainly so. Mr. Plommer, what do you say?

MR. PLOMMER: That is quite right. There is no tariff on our coal, anyway.

BY COMMISSIONER McLAURIN: Well, that is wrong.

MR. MURRAY: Yes. We have not tried, you see, and I was simply dealing with facts as I knew them at that time. We have not been sufficiently interested in trying to ship coal.

Continues brief:

3. HISTORY OF MARKET DURING THE LAST TEN YEARS

The history of the coal mining industry for the past ten years should be divided into the pre-war and wartime and post-war periods in order to properly analyze the trend.

Prior to the war oil fuel had for many years displaced coal extensively in the heating and industrial markets, while wood fuels were not a serious competitor with coal, due largely to the depressed state of the lumber industry. Electricity has made some inroads in the coal markets where used as a power producing agent; but can still be regarded as a luxury as a heating agent.

Wartime requirements have to a great extent limited fuel oil competition with coal whilst the wartime boom in the lumbering industry has greatly increased the use of sawdust and other lumber by-products. Looking to the post-war period the coal mining industry will have to meet the return of fuel oil as a serious competitor and continued competition from wood fuels will exist for many years when we anticipate the tremendous reconstruction required in war devastated Europe.

4. ANALYSIS OF CENTRAL CANADA MARKETS

Since our operations are confined to the south-western and Coastal areas only this angle can be more capably discussed by Eastern B. C. and Alberta operators.

5. EFFECT UPON MARKET OF IMPORTED COAL AND COKE

a. United States. Coal imported from United States to Central Canada markets has the effect at present of excluding Eastern B. C. and Alberta coals from that area and placing them in competition with Western B. C. coals.

b. Coal importations from Alberta have decreased greatly in volume particularly during wartime and while wartime requirements have enabled industries to absorb the large tonnage brought in we must anticipate a return, in the post war period, to the times when some of the Alberta operators were offering their slack coal to Coastal dealers for the cost of freight alone

and this will have a serious effect on the market for the smaller sizes of coal produced in Western B. C.

BY COMMISSIONER MORRISON: At that point, Mr. Murray, that is a pretty blanket charge. There are a lot of coal operators in Alberta and you say that you anticipate some of the Alberta operators will offer their slack coal to Coastal dealers for the cost of freight alone. Could you indicate the area, and to what extent among the operators of Alberta that was a fact?

MR. MURRAY: It was some years since I had that information, but I had it directly from people who were dealing in coal in Vancouver here, and I think some of the dealers may be able to verify that.

Q They weren't trying to use that as a lever on you to get cheaper prices from your Company?

A No, we have only been operating for the last two years, but prior to that when I was with Coalmont practically all our production went to the railways and we never were really greatly interested in the Vancouver market, due to the fact that our coal was very friable.

Q I know the Alberta fields very well and I don't see why they should give away their coal. I have never known them to give away anything. I am very much interested. If they were giving presents to the people of British Columbia

A I think that was offered as an inducement in the event of their being prepared to take some of the other grades of coal. I think that was the object behind it, but it actually did occur. I think some of the dealers in Vancouver may be able to put you right on that.

Q I am very much interested because when I go back, if I find the operators in Alberta have been handing out coal for nothing, we have a lot of Scotch people who would be just as glad to take advantage of that as the people of British Columbia.

A They might not be so glad to get it.

Q You don't look a gift horse in the mouth.

A We have had a lot of Alberta coal in here that the

dealers have been awfully sorry about. I am not knocking Alberta; Alberta has some mighty good coal. (Continues brief):

6. MARKETING OF BY-PRODUCTS

This has been discussed under "Production".

7. MARKET PROMOTION

a. By industry. No promotion by industry; except individual competition is in effect in this area.

b. No efforts at present are being made by the Dominion Government to promote the coal mining industry other than retarding shipments of Alberta coals Eastward and forcing these coals into competition in the Western markets with B. C. produced coals.

I don't wish you to think that I include this Commission in that statement; no effort is being made, exclusive of this Commission. (Continues brief):

Despite the large decline in coal production in B. C. and the approaching depletion of the coal resources on Vancouver Island from which, incidentally, the Province receives but little revenue, no efforts whatever are being made by our Provincial Government to rehabilitate the coal industry.

BY THE CHAIRMAN: I suppose this question should be better addressed to the Provincial Government, but what does the mainland operator pay to the Government in revenues?

MR. MURRAY: 10 cents a ton in some cases.

Q Well, the Island coal operators pay that too, do they not?

A Well, they may, but they haven't always paid that. I was under the impression from information I received in Victoria a couple of years ago, I was advised that they received a very small royalty.

BY COMMISSIONER McLAURIN: They are paying 10 cents a ton now.

BY MR. FRAWLEY: That is not a royalty, that is a tax.

MR. MURRAY: They were excluded from royalty and paid a royalty of 1½ cents--I am not sure about that, but a very small

figure--and the Provincial Government then passed a taxation act which prescribed that they must either pay a royalty or a tax equivalent.

BY THE CHAIRMAN: The mainland and island are operating under the same law now?

MR. MURRAY: Yes.

BY MR. FRAWLEY: Do you hold your coal rights from the Crown?

MR. MURRAY: No.

Q How?

A By Lease.

Q From whom?

A From the Provincial Government.

Q You hold them by lease from the Crown? The Crown doesn't sell any coal rights, they lease them?

A They give Crown grants, or have been for many years, but recent legislation has been brought in, I think in the last session of the House, suspending that procedure, and no operator now in the Province can acquire a Crown grant to a coal land. They can receive leases, which will be renewed periodically, but the Crown grant of land is eliminated.

Q Have you got any mineral taxation act here, any tax on the rights themselves?

A You mean rental fee?

Q Oh no, I mean a tax on the man who owns the coal, the Esquimalt & Nanaimo or the C.P.R. or Canadian Collieries Limited?

A On which particular area?

Q On any coal lands in the Province. Do you have a tax?

A Do you mean we as a Company or are you dealing with the Province?

Q I mean has the Province got an Act which imposes a tax on the mineral lands themselves?

A Well, yes, generally, but there is a lot of this land has been alienated by grant many years ago for the construction

of railroads.

Q Therefore it is owned by some railway company or Canadian Collieries?

A Yes.

Q Now are these holdings taxed by the Provincial Government?

A I understand, as I said a moment ago, that the taxation act ---

Q No, that is a tax on production, but I will follow it up with somebody.

A Yes, but by the fact that this grant had been a grant and it passed through several hands before it reached the Canadian Collieries they did not pay a tax directly to the Province, but they paid some small figure. I was informed by an official in Victoria that they paid a small figure, but eventually in order to get around that they passed a Taxation Act which brought their payments up equivalent to the royalty which other operators pay.

Q That is a tax on each ton of coal produced?

A Yes.

Q Of course that is not what I am talking about at all. I will follow it up with somebody else.

MR. MURRAY continues brief:

Despite the serious decline in coal mining, the only legislation which has been enacted regarding coal has been restrictive in its nature, and has increased royalties on newly acquired coal areas. This legislation in effect places the speculator withholding coal leases, "previously acquired," from production in an advantageous position as compared with those who may be prepared to acquire coal lands for development and has the effect of discouraging capital. The importation of one million tons of coal as at present deprives the Province of a revenue of \$100,000.00 per annum.

8. TRANSPORTATION - RAIL

A depressed rate of \$1.60 per ton is in existence from this area to Coastal points and has been satisfactory to our operation and we are quite satisfied to leave the whole dis-

cussion regarding freight rates to be threshed out by more competent authorities on the subject.

9. FOREIGN IMPORTS

No competition has existed on the Western seaboard from this source for several years.

In preparing this brief, we have confined ourselves to a recital of facts as they have affected our individual operation, and we are prepared to substantiate with documentary proof all statements which have been made in this respect.

Much has been left unsaid which would not reflect to the credit of the Emergency Coal Production Board, and since we presume that a representative of the above board will attend the Commission sittings in Vancouver, we will be prepared to deal with this subject matter as the Commission may desire.

Dealing with the coal industry generally, we have presented our views in the hope that these may be of some assistance to your Commission in your efforts to devise some means which will place the coal mining industry on a more sound basis than formerly, and render to this industry the support it will require in the post-war era.

EXAMINED By Mr. Frawley.

Q How much coal did you produce in say 1944?

A Close to 10,000 tons.

Q And in 1943 about 10,000 tons?

A No, we just went into production in 1943.

Q It is 1944 I am speaking of. Somewhere around 10,000?

A Yes, between 9,000 and 10,000 tons.

Q Where does it go, mostly?

A At present we have markets in Vancouver. Our coal is very brittle or friable coal and about 77% of it is small coal when it goes to the Vancouver market.

Q It is 16% ash?

A Well, you can get any analysis of coal.

Q No, no, I am referring to the analysis of the Dominion Bureau at Ottawa, Division of Fuels, Bureau of Mines, Department of

Mines and Resources: Ash, 16%, volatile matter 33.4%, fixed carbon 42, sulphur, $\frac{1}{2}$ of 1%, B.T.U. value 10,775, and the fusion point of ash is 2850 plus. That's about right, isn't it?

BY THE CHAIRMAN: Are you putting that on the record as evidence?

BY MR. FRAWLEY: I am asking him.

A Does that deal with any particular seam?

Q This deals with average analyses in the Nicola area.

A When was that prepared?

Q About a month ago.

A Well, that ---

BY THE CHAIRMAN: I think this witness had better be sworn.

(Oath administered by the Chairman)

BY THE CHAIRMAN: This refers only to facts. You may express your opinion, and you will give the source of your information.

A That analysis is, I consider, unfair to our coal by reason of the fact that would be an average analysis. The company which I referred to yesterday as operating in that Nicola area was shipping coal to Vancouver which contained as high as 25% ash.

BY MR. FRAWLEY: Let me just read you what they say, and say whether you accept it. High Volatile B Bituminous, that is your classification under the new classification?

A Yes.

Q It is found in Alberta at Magrath, Pekisko and Pincher, and in New Brunswick at Nicola?

A Yes.

Q And those are the general characteristics: "Storage: Good storage and weather resistant coals but not as good as the high volatile A bituminous - Lump sizes store well but presence of fines render these coals liable to spontaneous combustion." Do you agree with that, generally speaking?

A Well, the question of spontaneous combustion, I don't want to get into any lengthy discussion on this question, but spontaneous combustion depends greatly ---

BY THE CHAIRMAN: All you are being asked is if you agree with it.

A No, I don't.

BY MR. FRAWLEY: "Non-coking in high temperature by-product coke ovens despite weakly caking properties by laboratory analysis. Likely suitable for low temperature carbonization." Do you agree with that?

A Just to clear this matter up, I would like to point out to you that operations in that field have shown at least six seams, and probably eight seams, and the characteristics of the individual seams vary greatly. For instance, that coal was used extensively 30 years ago--I won't say extensively, had an output of around 100 tons a day, and was used in the B. C. Electric plant and produced coke, and one particular seam, the same in which we are operating now, produces a friable coal, which means that it don't stand up as well to handling as the coal from McLeod or away there.

Q It says it is non-coking. Do you agree with that or not?

A No.

Q "Uses and Other Characteristics: These coals burn with a long somewhat smoky flame and are used both for domestic heating and industrially for steam raising purposes. Among this group as to be found coals quite suitable for liquification by hydrogenation. Moisture content noticeably higher than in the high volatile A group and their calorific values correspondingly lower." Do you agree with that?

A Yes.

Q "Average Analyses - Moisture, 6.5 to 8.0%." Do you agree with that?

A No, we have not been up that high in our operation.

Q "Ash, 9.4 to 16.0%." Right?

A Yes.

Q "Volatile matter, 33.4 to 35.6%." Right?

A Yes.

Q "Fixed carbon, 42.0 to 48.2%." Right?

Q "Sulphur, 0.5 to 0.9%."

A That is probably correct.

Q "B.T.U. value, 10,775 to 12,210"?

A We have made several analyses and we have had none yet as low as that lower figure.

Q And the fusion point of ash from 2300 to 2850 plus?

A Yes.

BY COMMISSIONER MORRISON: Did you have them as high as the high figure?

A Higher. I can show you analyses from that field that run 14,400 B.T.U.

BY MR. FRAWLEY: Where were those analyses made?

A In the B. C. Electric plant. One analysis was 3% ash content and 14,400 B.T.U. I am not claiming that that is the coal but I am showing you the variation in analysis.

BY THE CHAIRMAN: When did you start operations there?

A We started prospecting in October of 1942.

Q I mean when did you start actual operations?

A Production?

Q Production.

A August 1943.

Q When you talk about the interference of Mr. Brunning's department when did that start? You didn't have very much time to get a permanent market?

A No, we started--our correspondence really started with the Emergency Coal Production Board in May of 1943, and they agreed ---

Q The Emergency Coal Production Board, now is that Mr. Brunning?

A Yes. And Mr. Vissac, their engineer, recommended that we be given a loan and our development work be subsidized.

Q And was it?

A No. He further recommended, after discussion with myself and Mr. Marshall, local representative of the Emergency Coal Production Board, that I dewater and prepare No. 3 seam, and I received a letter from the Board advising me that they

would pay all reasonable costs of such work. Unfortunately that was where our trouble began. We spent \$7,000 on that work and they intimated that they were prepared to give us \$1300, and they had given us a definite promise that they would pay all reasonable costs. The loan was granted and suspended; we obtained about 25% of the loan and then that loan was suspended, and it has been a continuous battle to just keep living with the Emergency Coal Production Board.

Q The reason I am bringing this up, you made a rather strong indictment on Mr. Brunning's department--maladministration of the coal industry here as far as you are concerned?

A Yes, I made that statement and as I said in my brief, I am willing to substantiate any statement I have made. I have evidence I can produce.

Q In the shape of correspondence?

A Correspondence.

Q I would like if you would give us a copy of that correspondence.

A There is quite a lot of correspondence.

Q I know, but we are looking for proof.

A When do you wish to have that?

Q Well, you can send it to Mr. Frawley any time, as far as that is concerned.

BY MR. FRAWLEY: Have it copied some time within the next couple of weeks or so and send it to us.

BY THE CHAIRMAN: There is just one other question that I want to ask you, Mr. Murray. You are talking about the coal importations from the United States interfering with your markets in Central Canada. You never have any anticipation, do you, of competing with Alberta coals in the Central market? I am not only talking about your company.

A No, but the point I wished to make there was that the subvention on Alberta coal permitted that coal to travel east and find markets in competition with imported American coals, but since the Emergency Coal Production Board took charge that coal has been diverted west.

Q Why? Because you haven't got sufficient coal here to supply your demand?

A Periodically.

Q Take before the war altogether, were the operators in British Columbia supplying the necessities of their own markets with coal?

A Yes, pretty well. I haven't got the actual figures but the importations from Alberta I believe were under 100,000 tons in any year prior to the war.

Q Of course that indicates that before the war there was a market here of 100,000 tons that the operators in British Columbia could not supply, were not supplying?

A Yes, that is true.

Q Now was that because of competition?

A From Alberta coals, you mean?

Q From any coals?

A Well, that takes us into a rather complicated discussion.

Q I only want your opinion on it.

A That brings us back to the question of coal dealers in Vancouver and Canadian Collieries. When their coal sales agency was established I understand their policy was not to give coal to every coal dealer in Vancouver, but they selected a few of those dealers and consigned their coal to those dealers; they consigned to, I think, four big dealers in Vancouver and one in New Westminster. I will be corrected if that is wrong. But the other dealers then had to go and receive their coal from those larger dealers and naturally they didn't like it and they looked for other coals.

Q One more question in that connection. Was the production, if you have any opinion about it, in pre-war days in British Columbia, was the production at any time sufficient to supply the coal demands of British Columbia? I am leaving hard coal out of the question altogether.

A I wish to give an opinion on that. I think that the

records will show that there was sufficient idle time in the mining industry of British Columbia prior to the war to indicate that the mines in British Columbia could have completely supplied the markets if conditions had been favorable to the people who were handling the coal. That is my opinion. I may be wrong, but I don't think so.

BY MR. FRAWLEY: What you say is, it was not a production problem that they lost some of their market to Alberta coal? You say it was a misguided sales policy that allowed that Alberta coal to come in?

A It is hardly right for me to say that, but ---

Q I will leave out the word "misguided". It was the policy of the sales department that allowed Alberta coal to come in?

A I think so.

Q In other words, as far as production is concerned they could have filled all the demand from a merely production standpoint?

A I am giving that as my opinion.

BY THE CHAIRMAN: Is it fair to say, taking the whole pre-war picture, that British Columbia would not necessarily look for markets outside of their own province?

A With the exception of possibly small amounts of sea-borne trade and Western Washington and probably points north.

BY COMMISSIONER MORRISON: Developing that point a step further, by the same token those dealers through that source of supply could have supplied all the consumers with all the coal that was required, and B. C. coal at that?

A No, I hardly think so.

Q I am just trying to tie up the answer you gave on production with distribution. Perhaps we had too many coal dealers in Vancouver?

A Oh, I am not in a position to say that. It may be possible but we must understand, Mr. Morrison, the dealers are not any particular friends of mine. I am not speaking for the

dealers. As a matter of fact, some of the dealers have accused me of taking advantage of our freight rate in order to maintain a high price to them, which is very much contrary to fact; but what I would like to point out is this, that the entire field, quite a lot of it is lignite and only periodically supplied the market, and our particular operation, which was the Coalmont Collieries, practically all of our shipment went to the railways.

Q But suppose you had been shipping coal, one of the first considerations as a shipper producing coal would be the credit rating of some of those dealers before you would give them coal? Wouldn't that be a factor?

A Oh yes.

Q I would think it would be a very important one?

A I have never had any difficulty in that respect.

Q Well, you might have picked out the good dealers, but don't you think that would be a serious factor if you were operating the Island mines?

A Oh yes, it is a serious factor at all times, but in reply to that, you are not going to infer that there is only four creditable coal dealers in Vancouver?

Q Oh no. I don't know if the four of them are. I don't know the credit rating of any of them. But I am suggesting to you as a producer if you could make the profit, the spread on coal that the dealers make it would be pretty nice?

A It would be lovely.

BY COMMISSIONER McLAURIN: When was Merritt Collieries incorporated?

A 1942.

Q But your first production was in 1943?

A Yes.

Q Was it production, or just development production in 1943?

A Well, it was development. In fact it will be development, as far as that is concerned, for some years to come.

Q What was your total production in 1943?

A Very small.

Q 1,000 tons?

A Probably around between 1,000 and 2,000 tons.

Q And 1944 10,000 tons?

A Yes.

Q And how much assistance have you had from the Emergency Coal Production Board? Not what you have repaid. What are your total advances by the Emergency Coal Production Board?

A Well, that is divided under different heads.

Q What is the total?

A We have had approximately \$9,000. About \$3900 of that ---

Q When did you get your first advance?

A Oh, it was--I can tell you in a moment here. I think it was late in 1943 or early in 1944; in 1944.

Q And what does the Emergency Coal Production Board claim you owe them? Now not what you think you owe them. What does the Emergency Coal Production Board claim you owe them?

A They claim that I owe them \$2,555.86.

Q They claim you still owe \$2,500?

A I owe them on this capital loan.

Q Now you are talking about this business of capital loan. Have you got some current advance too? I asked you what your total advances were. Was this \$9,000 you spoke of only a capital account advance?

A No, part of that was a non-returnable grant for dewatering the mine, preparing the mine for operation.

BY THE CHAIRMAN: \$1300?

A No, we eventually brought that figure up to about \$5300. The non-returnable grant which met our expenditure of probably \$7,000 amounted to \$5,118.75.

BY COMMISSIONER McLAURIN: Did you include that in the \$9,000 figure?

A Yes. They did agree to grant us a total of \$5300. A total

grant of \$5300 was approved and against this amount \$5,181.75 has been advanced, leaving a balance of \$181.25. "In order to clear off our outstanding items may I have your authority..."

Q Oh, you don't need to read that. They claim you owe \$2500?

A On the loan.

DR. W. A. CARROTHERS Called.

BY MR. FRAWLEY: I think perhaps you had better be sworn from the start.

(Oath administered by Chairman)

BY THE CHAIRMAN: You heard, I suppose, what I have said to the other witnesses about your opinion?

A Yes.

EXAMINED BY Mr. Frawley.

Q You are the Chairman of the Coal and Petroleum Products Control Board?

A Yes.

Q That body was established by Chapter 8 of the Statutes of British Columbia 1937?

A Yes.

Q And there have been amendments made to that statute I see in 1938 and 1940?

A Yes.

Q And there have been regulations passed? You have been good enough to give us a printed copy of the consolidated regulations?

A Yes.

Q Now when did that Board come into being?

A For some time there had been a good deal of public criticism of the prices charged for gasoline and petroleum products generally, and also coal, and as a result of that a Royal Commission was appointed to investigate the coal-petroleum industry operations in this province, known as the Macdonald Commission, the Chairman being Mr. Justice M. A. Macdonald of the Court of Appeal of British Columbia. That Commission

made investigation of the operations of both industries and reported to the Provincial Government. As a result of these reports legislation was passed which has been presented here this morning, and shortly afterwards a Board was appointed to administer the legislation which had been enacted.

Q Now, Dr. Carrothers, without going fully over the statute, would you just say in a word how your Board functions, what its powers are, and what it does under those powers?

A Well, the main purpose of the Act is to control prices in the public interest and the necessary powers to do that are embodied in the Act.

Q When you say prices you refer to the prices of all petroleum products and of coal?

A Yes, the Board is there to control the prices of all the products of both industries. With regard to the operation of the Board, first of all we established a system of licensing the various operators in order to bring them under control. We licensed in the coal industry the mining of coal, the wholesaler of coal and the retailer of coal, and in the petroleum industry, refining, wholesaling and retailing of petroleum products. Then in connection with the general control we have various regulations here which I presume you don't wish me to go into in detail.

(1676 follows)

Q. Perhaps it is fair to say that you have not passed all of the regulations which the Statute empowers you to pass, or the Lieut. Governor rather, as to all of the powers which he has been given?

A. No.

Q. To what regulations has he confined the matter?

A. I mentioned the licensing regulation; then we have regulations with regard to reports, etc. We get reports every month of the sales of the various licensees, and the breakdown of the products sold, together with the price at which they are sold throughout the province. Then the other main regulation of course was the regulation with regard to the price of gasoline, known as Regulation No. 11.

Q. Regulation No. 11 on page 18 of the Booklet?

A. Yes. That is entitled "A regulation establishing gasoline prices and grades and requiring grade posting".

Q. And that regulation was passed originally, I see, in May of 1940, and has been amended from time to time, the last amendment being on the 4th of March 1941?

A. That is correct.

Q. And this does fix the price of various grades of gasoline throughout the Province of British Columbia?

A. Yes.

Q. Do you conduct any independent examination of the price structure, or do you approve the price fixed by the Industry itself, or perhaps there is some history in connection with that?

A. Yes. I don't know how much detail you want.

Q. Just outline the high lights to the Commissioners.

A. The original price was essentially based on the investigation that had been made by the McDonald Commission, and they had gone into the matter very thoroughly. It is a very difficult matter to investigate because of its complexity, and the fact that the Companies operating here, operate elsewhere, and the headquarters of most of them are either in Eastern Canada or in the United States. But so far as possible to do so, with the limitations

of Provincial jurisdiction, the McDonald Commission made a very thorough investigation, financially and otherwise, of the various companies. I was associated with that Commission as economic advisor. That does not mean that I agreed with all they did, or that they did all that I wanted them to do.

Q. Before you went into the employ of the Provincial Government in that connection, what were you doing?

A. I was Professor of Economics of the University of British Columbia, and Chairman of the Economic Conference of the Province prior to going with the Control Board. I inspected the work that was done by the McDonald Commission, and if I had done it over myself it would have been largely a duplication of their effort. As you know the matter of costs of petroleum is a very difficult problem to deal with, because their system of cost accounting is not a real system of Cost Accounting. It attributes cost on the basis of marketability of the various products, so it is extremely difficult to get at the real costs. I think it was got, especially the price for gasoline, as near as possible; not for other petroleum products. And the authority of the Province to do this was questioned, the jurisdiction of the Province, and it went to the Supreme Court where the price fixing sections of the Act were declared ultra vires, and it then went to the Court of Appeal, and the Government was sustained in its position of having jurisdiction.

Q. When you fixed the price following the McDonald Commission, did you reduce or increase the price then in the industry?

A. It was reduced.

Q. And you say it was challenged and is still under investigation?

A. It has not gone to the Supreme Court - I am sorry, it did, but not to the Privy Council.

BY COMMISSIONER McLAURIN - What was the result in the Supreme Court of Canada?

A. They upheld the Provincial Government.

BY MR. FRAWLEY - Now you say you established that price?

A. Yes.

S.

Q. And the price you established at that time was protested and put into litigation, and is being followed?

A. The price was amended at a later time. There was a strike on the part of the Oil Companies who refused to sell gasoline except to merchant customers, and a special session of the House was called and certain legislation was passed with regard to that particular aspect of the situation. And following that the price order was revised.

Q. Upwards or downwards?

A. The reduction in the price was made less than it had been originally. I might say there that circumstances had altered to some extent during the period of litigation. The costs of operation had increased so that the original reduction (which was a severe reduction in the first place) became very severe, and it was for that reason that the reduction in the price was made less than it had been originally.

Q. But it still remained a reduction from the industry price before your Board came into existence?

A. Yes, 2¢; 1¢ borne by the Oil Companies, and 1¢ reduced in the spread between the wholesale and retail price.

Q. And that situation carries on today?

A. Yes.

Q. You say you didn't fix the price of other petroleum products?

A. No.

Q. The price of fuel oil was a major issue before the McDonald Commission?

A. Yes.

Q. Why did you not fix that?

A. We had been very busy with gasoline, and there was also a Court Injunction against the Board taking any action on the price of petroleum products, and Senator McFarlane had his eye on me and I am sure he would have taken pleasure in seeing me clapped into jail.

Q. He had his eye on the Injunction?

A. Yes.

S.

Dr. W. A. Carrothers

BY COMMISSIONER MORRISON - Has it been dissolved yet?

A. I think so. The war then came on and became a major issue and this other matter was left in obedience.

EXM. BY MR. FRAWLEY (continued)

Q. When the war came on Mr. Cotteral became the chief authority. Did he make any new measures?

A. No, the Provincial Board has co-operated all the time with Mr. Cotteral, with Dominion control. There was an increase of 1¢ a gallon which covered the whole of Canada, I forget the exact date, probably about 1941, but that can be checked. And there was no Order made; I think it was simply an informal permission on the part of the Dominion Control with the Oil Companies that they could raise the price of gasoline 1¢. But in this Province we had to make an Order because our previous Order was in effect, and we had to make an amending Order to make the increase of 1¢ legal because of provincial legislation.

Q. But the Oil Controller could have over-ridden you? But I understand he didn't; he took the situation as he found it and certainly tacitly approved of the price orders you had set up?

A. I think so.

Q. We have heard from the Coal Companies that the price of fuel oil is wicked, and would it not have been a good way to have dealt with that by fixing that price, and if the Coal people think it is too low and just being fixed with a view to taking care of the coal competition, would it not have been simple to put that price up and the coal companies would have been taken care of?

A. To increase the price of fuel oil would not be a simple matter. It might be in its relation to the price of coal, but not in relation to the important industries of this province who have been using it in their business and have estimated their costs and selling prices etc on that basis. And even before the McDonald Commission sat at all, I had gone into that question, because it is an old question in British Columbia as you probably know, and it would have been a very serious matter in so far as those industries were concerned to do that, and the Board had to

S.

Dr. W. A. Carrothers

consider the total welfare of the province as well as its relation to the coal industry. These other industries, many of them are exporters, and any increase in cost would be a serious matter for them to take care of.

Q. But if you had put that price up, and take a large consumer of oil, would he not simply go down to San Pedro or San Francisco and bring up a cargo of fuel oil, which I don't think you would have any right to interfere with?

A. That would depend on the relative price in the two areas. I cannot give a direct answer, because that was discussed, and if the price had gone up sufficiently, naturally they would do that. If it was to their advantage to do it, they would naturally do it.

Q. And so you have not touched the price of fuel oil here?

A. No.

Q. Let me explore that a little more. Do you watch the course of the fuel oil prices in this area?

A. Yes, to some extent.

Q. And is it fair to say that that price is fixed having in view and in mind the price at which fuel oil could be imported by the consumers from San Francisco ports?

A. It would be only the companies that could answer that directly, but I would assume that that would be one of the factors.

Q. If you had never gone into this coal situation at all, just as a question of economics, you would think that would be so? A large fuel consumer would not permit the price to run up while the boats could go to California ports?

A. He would want to keep his costs down.

Q. And he has a very good way to do it by bringing in California fuel oil if the local makers of fuel oil run the price up?

A. And if it is available.

Q. So is it not fair to say that what fixes the price of fuel oil here is the price in California plus the price necessary to lay it down in this area?

A. That would be an element in fixing the maximum price.

Q. Then of course the other thing arises, if a consumer went into California and found a man who was willing to get rid of it for half of the posted price, that might be up-set; but do you think it very likely that anyone there would be willing to sell it for less than the posted price?

BY THE CHAIRMAN - What is this leading to Mr. Frawley? I can answer that myself without knowing anything about economics.

BY MR. FRAWLEY - It has been suggested to me Mr. Chairman that that was done. That someone went down there and got fuel oil at a very cheap price - bootleg. You don't know anything about that?

A. I do not. But continuity of supply is as important as price, and these independent people who might have a supply, a stable industry might not consider it wise to deal with them at any price.

Q. What have you done with respect to fixing the price of coal? You had that power?

A. We didn't fix it.

Q. Why was that?

A. There were several reasons for that. One was that the fixing of the price of gasoline was more urgent, and then there were delays on account of legal matters; and an examination of the coal industry would show that the prices which were being charged for coal in relation to cost of production were not seriously out of line.

BY THE CHAIRMAN - Did you have the evidence before the McDonald Commission of the comparative value of various coals?

A. Yes sir. You mean heating values, and so on?

Q. Yes.

A. Yes sir. Then another factor was the difficulty of setting prices of coal that would be enforceable in practice because of the various grades, and sizes, etc. The identification of the grade to which a particular price was attached. And then the problem of supply as time passed on became more important than the problem of price. The problem of quality was also very important with the pressure of the demand, and there were occasions when

inferior coal was supplied, particularly in slack coal for Institutions etc., and those matters became more important than price; but the Board was still there as a watchdog of price, and there was no attempt on the part of any coal dealer to increase the price without consulting with the Board. And there was one occasion in which the Canadian Collieries, in order to keep their Northfield mine open, found it necessary to increase the price, and they consulted with us, and without any Order or anything of official character, we said we had no objection to that increase as it enabled the mine to run along and kept men employed and provided that much more coal for public services.

BY MR. FRAWLEY - The situation then is that you are there with the power to fix that price, either reduce it or increase it, the industry price as it is now?

A. Yes.

Q. And you are watching it all the time?

A. Yes.

Q. And have not seen fit to disturb that price?

A. No.

BY THE CHAIRMAN - Do they make any charge that there was any dumping of this oil?

BY MR. FRAWLEY - No crude oil. Mr. Plummer's brief (Exhibit 82) at page 17 states: "This brings us in our brief to perhaps the most vital spot in our existence, and the one concerning which there exists the most violently different schools of thought, and that is foreign fuel oil. We use the adjective 'foreign' advisedly, because if this were a Canadian product we could have little ground to complain. We have contended for years that the Province of British Columbia should not be used as a dumping ground for low grade Californian, Colombian, and Peruvian oil, at any rate, not to the extent that a local, and what would otherwise be a virile, Canadian industry is faced with extinction." Then he goes on to gasoline, and on page 18 he says: "We have always maintained, and still maintain, that the coal industry of this province, particularly on the Coast, is victimized, because the oil producers who have a monopoly in

the market for fuel for internal combustion engines, namely gasoline, can and do by their own admission as was printed in the Imperial Oil Review of June-July 1934, set their price of gasoline by the price of fuel oil, and the price of fuel oil is set by the price of coal." Then he refers to what Dr.

Carrothers did when he reduced the price of gasoline.

BY THE CHAIRMAN - Do they object to the lowering of the price of gasoline, the coal people?

BY MR. FRAWLEY - No, I think not. He commends that. Then he goes on to say: "We contend that the oil producers dump their secondary fractions for use in externally fired steam plants, and for general heating use, to the detriment of our local basic industry, under the cover of a protective tariff on gasoline, and as long as crude oil is allowed to enter Canada duty free, we do not see much hope in the situation."

BY THE CHAIRMAN - It was the dumping that I wanted to know about.

BY MR. FRAWLEY - He speaks about dumping the fuel oil which carried no duty, and then about the secondary fractions.

EXAMINATION OF DR. CARROTHERS BY HON. J. W. deB. Farris.

Q. There is a duty on the fuel oil, is there not, a half cent a gallon?

A. On the refined oil.

Q. On the fuel oil?

A. Yes.

Q. As distinguished from crude?

A. Yes.

Q. And also a duty on gasoline?

A. Yes.

Q. But there is no duty on the crude?

A. Not so far as I know.

Q. Say a complaint was made -- and I may say Mr. Chairman that I have just seen this which I have in my hand for the first time in 10 years, a submission which I made on behalf of this Company before an Inquiry in 1935. It may be that Mr. Frawley

will find it of advantage to file this with the Board.

BY MR. FRAWLAY - Was it to the McDonald Commission?

A. No, prior to that. Has this Commission a copy of the McDonald Report?

A. Yes.

BY MR. FARRIS - The summary of that will also clear up what I am asking Dr. Carrothers about now. I am going to read and ask you Doctor if you agree with these paragraphs. Paragraph 9 - "The principal cause of the decline in the sale of coal is the sale of heavy industrial fuel oil (and to a lesser degree furnace or Diesel oil which is used in smaller heating plants) at prices designed to compete successfully with coal." That was a factor?

A. Yes, I would say it was a major factor.

Q. (Continues reading from Exhibit 93) paragraph 9 - "Year after year the coal producers have lost shipping, railway, industrial and domestic customers to oil. (The sales of coal from the Vancouver Island mines are as to about 25% to domestic users. The domestic users of the interior coals probably represent a smaller percentage.) No matter what the fluctuations in the supply and the price of crude oil may be, the oil refineries of British Columbia can always manage to undersell coal." I don't know whether you care to agree with that or not; I don't think I will ask you on that. "The oil refiners find this possible for the following reasons: Gasoline, furnace oil and fuel oil are all derived from the same raw product, crude oil. The gasoline producer is protected by a substantial tariff. Further, as to one of his products he has a monopoly in this sense of the term, that there is no other fuel with which gasoline for use in motor cars has to compete; consequently, the price charged for gasoline need bear only a very slight relation to the cost of production." I think your inquiry, and the reduction of 3¢, rather agreed with that?

A. Yes.

Q. (continues from Ex. 93) "The coal industry, on the other hand, has no monopoly for it must sell in competition with hog fuel,

"sawdust and fuel oil; consequently, the oil refiner in fixing the price of his products can first fix a price for fuel oil low enough to insure its successful competition with coal, and can then fix a price for gasoline high enough to insure a liberal profit on the whole of his operations." That is what the McDonald Report found, is it not?

A. Yes.

Q. And does your own investigation corroborate that?

A. The basis of that possibility is this: That you are dealing with joint products and you can manipulate if your market will stand it, the price, and if it is possible to sell gasoline at a high price, then it would be possible to sell fuel oil at a low price, and vice versa? It is a very difficult thing to gauge because joint costs is a difficult problem.

Q. Assuming that the main product is gasoline in this province?

A. Yes.

Q. Then fuel oil becomes a by-product?

A. Yes.

Q. And if you are making your money out of gasoline, then any price that you get from fuel oil is that much in the clear?

A. Yes, if you have covered all your costs.

Q. And that was the basis on which the McDonald finding was made?

A. Yes.

Q. Did that not enter into your calculations too?

A. Yes, a basic factor in the industry.

Q. Now in regard to the question of fuel oil in California. If that was imported it would have to pay the customs duty?

A. Yes, and transportation of course.

BY COMMISSIONER McLAURIN - We were told yesterday that this fuel oil was duty free?

BY MR. FRAWLEY - I think it was free in 1944, and I think there was a duty re-established in 1945.

BY HON. MR. FARRIS - That is too up-to-date for me. At the time we had it up before, there was a duty of a half cent a gallon.

A. On fuel oil.

Q. Crude oil was free?

A. Yes.

Q. And that is quite a substantial tax on the fuel oil?

A. Yes, when you take the volume.

Q. So on any importations that would have to be considered?

A. Yes.

Q. In addition to that, the fuel oil is largely controlled by a limited number of companies in California?

A. Yes.

Q. And if you bought from an Independent, as you say you might not be guaranteed continuity of delivery?

A. That is right.

Q. Which of course would be fatal. Can you give me the percentage of gasoline yield in British Columbia as compared with other Canadian refineries?

A. It depends on the quality of the crude, and a number of other factors. You would have to get that from the refinery.

EXD. BY MR. FRAWLEY - You were telling Senator Farris that fuel oil perhaps could be said to be a by-product in this area?

A. Well I took it as Mr. Farris was using the word by-product there in a general sense, and not in a particular technical sense.

Q. Then, as a secondary product?

A. That is right.

Q. Do you think one can really say that, as far as this area is concerned?

A. That would depend on the type of crude that comes in. Of course British Columbia has created a very important market for the heavy crudes of California.

Q. You would not expect them to go to any other place than California from this area?

A. It is the closest place.

Q. The Alberta could not get down here?

A. It is a lighter crude.

Q. You may say it is a gasoline crude?

A. That is right.

Q. And Alberta goes after garoline. Is it not correct to say that fuel oil is just as much the objective of the Vancouver refinery as gasoline, and that he gears his operation to that proposition?

A. I would not like to be positive there, to give a yes to your question. The fuel oil is a tremendously important factor of the industry here. I would not like to say their main objective, but one of the main objectives was to sell that heavy crude oil from California, and the fuel oil business was built up here to take care of that, and in that sense it is a main objective.

Q. It is not the situation that the Nanaimo refinery is in terrible distress about all this crude oil and he just sells it for anything he can get?

A. It is part of the business policy of the Companies.

Q. And it happens that the California crudes are the ones they would naturally go to anyway because they are water borne, it happens that they fit in excellently with that operation?

A. Yes, and the policy of the Company has made it fit in.

Q. Rightly or wrongly, there are consumers in this area that have cultivated an appetite for fuel oil?

A. Yes.

BY COMMISSIONER MORRISON - On a price basis.

EXM. BY MR. FRAWLEY (continued)

Q. Now about this duty, that seems to be on now and off again. Under war time conditions it does not matter very much whether that duty goes back on or not?

A. Well so far as war time conditions are concerned, that is under Dominion control, and I am not so familiar with the day or day sections there.

Q. Suppose it happened that there was a shortage of fuel oil and someone's operation here required that he get it, and the Oil Controller permitted him to go to California and get it. It would not matter very much what his laid down cost was, the War Time Prices & Trade Board would control that?

A. That is right.

BY COMMISSIONER MORRISON - How does the price the refiner charges in British Columbia compare with the laid down cost of the imported product with regard to fuel oil?

A. I could not answer that off-hand.

EXM. BY MR. FRAWLEY (continued)

Q. If it compared reasonably, well then it would appear that they were just meeting the California competition?

A. One would be suspicious of that.

BY COMMISSIONER MORRISON

Q. As Chairman of the Board, you are familiar with these prices in a general way?

A. Yes.

Q. How does the price of fuel oil charged by the refineries in British Columbia compare with that charged by the refineries in California?

A. As far as I understand, you have to consider qualifies and other matters, but there is not very much difference.

Q. Let us compare comparable things?

A. Yes.

Q. Of comparable quality of what British Columbia requires and sells to the consuming public here?

A. The prices are comparable.

Q. In the two places?

A. That is, as far as my information goes; not of a private character, but the information available generally.

Q. You have access to all the information you require as Chairman of the Board?

A. Yes. But I am referring to the present time. Because of Dominion Government control we have not been investigating the situation as closely as when we were in sole control.

Q. When you were in sole control, that was the situation?

A. Yes.

Q. So that supposes John Jones can import fuel oil from California and lay it down in British Columbia for exactly the same price as he could buy it in British Columbia?

A. I would not like to say that.

Q. Well within the question of a few cents?

A. Yes.

Q. There is no great price spread?

A. No insurmountable difference. Of course those things, you will understand, are not as simple as they appear, because you have various elements of cost, and difference in quality, and the requirements of each particular industry to consider. It is not entirely a question of price on the two markets. Insurance has been very high owing to war conditions on the Pacific Coast.

BY COMMISSIONER McLAURIN - But at the time you regulated gasoline you were acquainted with the coal prices?

A. Yes.

Q. And the information you gave Mr. Morrison would hold good in that period, that California prices were comparable to British Columbia prices?

A. That is correct.

Q. And then I think, finding that condition, you would suspect that it was the California price that determined the price in British Columbia?

A. That would be a factor.

Q. Then a great deal of suspicion that was aroused during the course of the McDonald Commission, might be founded on that?

A. They made a very thorough investigation, but, as I said, I do not agree with all of the report.

EXM. BY MR. FRAWLEY (continued)

Q. I suppose that the refinery operation in California is done in much bigger volume than in this area?

A. Yes.

Q. And assuming that, would you think that the Oil Companies were doing pretty well to meet the price of a product that was produced in much greater quantities?

A. You mean the refineries in British Columbia?

Q. Yes, when they are willing to meet the California laid-in cost, when that refinery has perhaps a thousand barrels a day against his two or three here?

A. Yes.

Q. Perhaps that should be borne in mind when one says it is unfair?

A. Of course you have to keep in mind the joint products there. And you might meet that, as was suggested, by higher price for the other product.

Q. Is it fair to say that the Vancouver refinery has two rather equal objectives, gasoline and fuel oil?

A. Yes.

BY COMMISSIONER MORRISON - Is it fair? When Mr. Frawley was trying to build up a case for the British Columbia refinery competing with the California man and selling his fuel oil at the same price, the reason is that he can extract more money from the consuming public for the gasoline?

A. Yes.

Q. That being so, if he met the gasoline price of the California refinery, perhaps the coal people would have no kick coming about the fuel oil?

A. That might be. I cannot speak for the coal people.

BY MR. FRAWLEY - Do you know the relation between the California gasoline price and the Vancouver area price? I don't suppose anyone has tried to bring in a tank load of gasoline here and lay it down?

BY COMMISSIONER MORRISON - There is a tariff on it.

BY MR. FRAWLEY - Considering tariff and everything?

BY MR. CARROTHERS - We have a low price for gasoline here, it is the lowest in the whole of Canada.

BY COMMISSIONER MORRISON - British Columbia always advertises that they lead.

BY MR. FRAWLEY - I want to know if you are able to say what the result would be, in importing a tank car of gasoline into the Vancouver area?

A. I think with the cost of transportation, insurance, tariff, etc. it would cost more to bring it in. I would say that on general terms, without checking up on it.

BY SENATOR FARRIS - I have been reading over this brief that

was submitted by me in 1935, and I really think it would be of advantage to read some of this to the Board.

BY COMMISSIONER McLAURIN - If you will let us have it, we will read it.

BY MR. FRAWLEY - This is to the Tariff Board and preceded the McDonald Commission?

A. Yes. This was in 1935, and I call attention to this submission of counsel. The figures are accurate, I stand sponsor for that, and it deals very pertinently with the very question we have been discussing here, and I would ask to have that filed as an Exhibit. Of course the figures are somewhat out of date. I quote from a magazine there on the second page, the Imperial Oil Review. I have the original of that here.

BY COMMISSIONER MORRISON - Is that the same document that Mr. Plommer referred to in his brief yesterday?

A. Yes.

Q. He definitely said something about the price of fuel oil.

BY COMMISSIONER McLAURIN - This refers to an Imperial Oil Review that Mr. Plommer referred to?

BY SENATOR FARRIS - Yes. I don't want to file this, but a copy of the extract is on the second page.

BY MR. FRAWLEY - Mr. Farris quotes a complete paragraph of it in his submission.

Exhibit 93 - Submission of Canadian Collieries
(Dunsmuir Ltd. to the Tariff Board
as to crude petroleum and its
derivatives.

EXM. OF DR. CARROTHERS BY MR. FARRIS (continued)

Q. These refineries here in British Columbia are part of the California Oil Companies operations? You recall the word "integrated" doctor. I mean the same integrated organization?

A. We have the Imperial, the Shell and the Standard, and the other companies purchase their products from those three. And then there is a mutual arrangement with regard to getting the crude from California. At least that was the situation.

Q. There are no refineries in the States of Washington and Oregon?

A. Not to my knowledge.

BY MR. FRAWLEY - There are three refineries in the Vancouver area, the Imperial Oil which is not integrated with anyone in California as far as you know?

A. Not directly.

BY SENATOR FARRIS - I think they are.

A. Through the Standard in New Jersey.

BY MR. FRAWLEY - The Shell Company is here refining?

A. Yes.

Q. And are they integrated?

A. It is a little difficult to find out what the interest is.

Q. I think it is fair to say that?

A. The evidence would appear to support that contention.

Q. And the Standard is a California Company?

A. Yes.

Q. And the Union is a California Company?

A. It is a subsidiary.

Q. I am told the Union imports in cargoes from California?

A. That has been done.

Q. That gets back to the business of bringing in California crude oils.

J. O. HOWELLS takes the stand. - Exd. by Mr. Frawley

Q. You are appearing on behalf of P. Burns Coal Mines Ltd.?

A. Yes sir.

Q. In what capacity are you with the company?

A. Mining Engineer.

Q. Where are your operations carried on?

A. Not producing at the moment.

Q. Where are their holdings?

A. The Carbon River, a tributary of the Peace River in northern British Columbia; also in Sheep Creek in Alberta, and they used to have the Blackburn mines in Princeton.

BY COMMISSIONER MORRISON - This is the same Company that owns the properties on Sheep Creek and up the highways in Alberta?

A. There are two groups there, but this is the group that was owned by F. P. Burns.

S.

-1693-

. J. O. Howells

Q. You are here to make a submission on behalf of P. Burns Coal Mines Ltd.? Will you proceed to do so.

A. Have you the charts and maps.

Q. You have a book of charts and statements which will be filed.

Exhibit 94 - Submission of P. Burns Coal Mines Ltd.

Exhibit 95 - Folder of charts accompanying Exhibit No. 94.

Q. And you have another map which is not in the folder?

A. Yes.

Exhibit No. 96 - Coal fields of Canada and United States of America.

BY MR. FRAWLEY - Having all of the Exhibits marked, it is about time to adjourn.

BY MR. HOWELLS - I am sorry to take up your time, but it will enable us to get through my submission very briefly and show in a geographical manner the contention of Mr. Burns.

BY COMMISSIONER McLAURIN - The brief was prepared by him?

A. In consultation with me.

BY THE CHAIRMAN - We will adjourn now until 2:30 P.M. and we will sit this afternoon until 4:30.

12:00 NOON - HEARING ADJOURNED

Tuesday, March 27th, 1945 - 2:30 P.M. HEARING RE-CONVENED

HON. J. W. deB. FARRIS - Before the regular proceedings I would like to make a statement in regard to the brief submitted by Mr. Plommer, and apparently the press report, which I have no reason to believe was inaccurate, has been misinterpreted, and the idea apparently has been formed in some quarters that Mr. Plommer in his brief was criticizing the Department of Oil Control, Mr. Cotteral, and I want to make that very clear both on my own behalf and on behalf of Mr. Plommer, that not only was that not intended, but on the contrary I may say personally that I have had considerable dealings with Mr. Cotteral and I have always considered him to be very satisfactory and very efficient, and I know that is Mr. Plommer's attitude too; and I would like to read one paragraph in this brief that has already been submitted. (Exhibit No. 82, page 18) - "The basis of the coal producers' argument which follows in the immediately succeeding paragraph is, therefore, not altogether applicable under the present wartime condition, but it is recited at this time to record the experience of the pre-war years, and its effect on the Canadian coal industry, and to suggest that there exists definite grounds for fear by our industry that, in the post-war years, there will be a return to the former conditions." So that, read in the light of that paragraph, there is nothing in here that should be construed as any criticism of the existing administration of the Controller. And not only am I glad to make that statement to you, Sir, and to the Board, but I hope that the Press will give proper emphasis to my explanation.

BY THE CHAIRMAN - I am glad there was no criticism, and as you will have noticed, I did question one of the witnesses on his criticism of the Coal Controller. They have a hard job and do make mistakes, but usually of judgment, and I am glad to know there was no criticism of the Oil Controller.

BY MR. FARRIS - I would like to recall Dr. Carrothers, as I think he wants to file some things that will be interesting.

DR. CARROTHERS takes the stand.

Examined by Mr. Frawley

Q. You have a report of sales of coal which I thought perhaps might be filed. Have you several copies of that?

A. Yes.

Exhibit No. 97 - Coal Sales, British Columbia,
Jan. 1st to Dec. 31, 1944.

The above statement consists of three sheets and contains certain information with respect to sale in various consumers districts in British Columbia, of British Columbia, Alberta and United States coals.

BY COMMISSIONER MORRISON - Compiled from what record?

BY DR. CARROTHERS - From the monthly reports which are submitted to us by the retailers, and also we have monthly records from the wholesalers, and if you would like me to I will file copies of the forms which we send out, which will give you an idea of the basis of the information. I would like you to glance at one filled out. In connection with the wholesale sales, we have size of coal, price at mine per ton, freight and towage per ton, unloading and sacking, and cost to you, and the number of tons bought; and on the other side Coal Sales, size, price at which sold, number of tons sold, and so on.

BY COMMISSIONER MORRISON - How does the tonnage on one side compare with the other?

A. Usually fairly closely, and that is where they make a mistake.

Exhibit No. 98 - Form "E" of the Coal and Petroleum Control Board. Monthly report on coal sold at wholesale.

Exhibit No. 99 - Form "F" of the Coal and Petroleum Control Board. Monthly Report on coal sold at retail.

BY MR. FRAWLEY - Have you any other forms?

A. No, these are the ones connected with coal.

Q. Will you please send us about 10 copies of each of these?

A. I will be glad to.

Q. Then you have some yearly reports. We will file them as one

Exhibit. They are the Annual Reports of the Coal and Petroleum Control Board for the years 1938 to 1943 inclusive.

6 Exhibit No. 100 - Annual Reports of Coal and Petroleum Control Board for years 1938 to 1943 (inclusive).

BY DR. CARROTHERS - I may say that the other documents include 1944 exhibits, which are not included in these Annual Reports.

BY MR. FRAWLEY - What factors do you take into account in determining retail or wholesale licenses?

A. The first consideration is the requirement of the public for the service, and secondly, the ability of the individual who is applying for a license, to give that service. And in the coal industry we require to know from whom he is getting the coal, and conditions, and so on, his equipment, whether he has storage facilities. In other words, we satisfy ourselves as to whether he is not only willing to give this service, but that he is fit and able to do it. There may be slight exceptions to that. An illustration might be the best way to explain it. For example, take some years ago when money was not so plentiful as now, there were numerous people in certain areas around here where to get enough money to purchase a ton of coal was quite an effort. And in the case of the companies with large trucks, it was very costly for them to deliver less than a ton, and we did grant licenses to people who were merely in the nature of truckers, and all they got out of it was the wage as truckers, but that was to meet public need, and is contrary to our methods.

Q. That pretty well explains your system of licensing?

A. Yes. If you would like I would leave the forms of application for license, which will give you an idea of what we require from applicants.

Exhibit 101 - Application for License submitted to the Coal and Petroleum Products Control Board, of British Columbia.

J. O. HOWELLS takes the stand.

BY MR. HOWELLS - Before I start reading the brief, may I have five minutes or so to draw your attention to the charts and maps. What we have to say in the brief is really the result of a study of mostly Canadian, and some United States, statistics regarding production of coal in Canada, and consumption. Relating those figures to the maps of North America, United States and Canada, we thought it well to draw on a fairly large scale, but I regret that it is not sufficiently large for you to study it from your seats. We have the outlines of the United States and Canada and we have plotted on it the coal fields. A glance at the map, which shows the coal fields of Canada and the United States, shows how our country to the north of the border illustrates the definition that "Canada is a country with coal fields each and west and railways in between."

There are very very interesting facts connected with the study of the location of these coal fields in Canada in relation to the coal fields of the United States. We have coal fields in the East and in the West and in between there are about two thousand miles of Canadian territory that produces no fuel except peat and wood. And then to the south, a very short distance away, there is an abundance of coal. As we go along to the west in the United States we see that the coal is getting ever so much poorer. A study of the analysis as given by the Bureau of Mines for each state shows how that decreases in heat value; and it is heat value that we are purchasing and not tonnage. And the poor quality is brought out of the seams in New Mexico and Colorado and to the south of Washington. And as you follow the fields in British Columbia - I am not referring to the ones that have been developed, but the ones in the Groundhog and Peace River country - in these greater areas of northern British Columbia we find the coal is of a much better quality. I will show you the analysis and we will put it in as an exhibit. A series of analysis of a new field on the Carbon River, a tributary of the Peace, which brings out a wonderful comparison

of the coals of North America. So we have in British Columbia coals that will compare or be better than anything in the south, and within easy touch of the huge markets of Florida, Tacoma and Seattle.

You will note here in these graphs I have given the annual consumption of coal in Canada from 1901 to the present day. The top graph shows the total consumption of coal in millions of tons. The graphs show that during the whole period Canada has consistently imported coal on a large scale from the United States. During the period under review we have imported on an average around 50% of our coal consumption.

Then we have the population in millions. I thought there would be some relationship between the growth in population and the coal consumption, but there is not much relationship except in a very general way.

BY COMMISSIONER MORRISON - Would not the improved methods vary the per capita usage?

A. Fuel economy has much to do with it. It is a factor, but not so very important. Then the Canadian coal production on Chart No. 2; production of coal in Canada by zones in Provinces. The gurya is given here. Then I have the Alberta starting from low in 1901 and showing the curve; and in British Columbia, and it began to wane in 1928, and in 1938 it began to rise again. There are a few tons of the British Columbia figures that I have not segregated; and some in the Yukon, but it would not show any difference in the graph. A little later on, about 1918, the statistics were not kept in the same way. They have been tabulating them by grades, anthracite, bituminous, sub-bituminous and lignite, and since these figures have been made available, I have a chart from 1919 to 1944 showing the production of each grade in Canada yearly. That does not give you a conception of the relative tonnage, these shaded areas, so I have worked out for each year the percentage of each grade and the percentage progressively of each year.

BY MR. FRAWLEY - You are at chart No. 3?

A. Yes. So that at any time you can see the relative amount of each grade that was produced in the country during that year.

I have a mass of figures as published by the Dominion Government, and to give life to them one has to graph them and show the variation. We went to the United States to get the record of the United States Bureau of Foreign and Domestic Commerce. We take not less than 90% of the export of bituminous coal from the United States. They send 90% to Canada. During the strike period in Great Britain in 1902, United States export jumped to millions of tons, twenty millions to Great Britain. There was a strike in 1926 in Great Britain, a seven months strike, and you can see how the American mines sent the coal over there, seven million tons again, where normally they sent to Great Britain somewhere around 500,000 tons.

A further study can be made of this. I thought this little explanation would be in order.

MR. HOWELLS then reads Exhibit No. 94, as follows:

"It is a pleasure to note that the scope of your investigations as specified by Order of His Excellency the Governor General in Council, October the Twelfth, 1944, (P.C. 7756) is so wide and all embracing.. You are to investigate into and report upon the problems of, and matters pertaining to, the coal industry in Canada, having regard, generally, to pre-war, present and anticipated post-war conditions, and the possible future development of Canada.

The Government of Canada is to be congratulated on the appointment of the Royal Commission, while the Commissioners themselves are to be congratulated on their appointment and on the opportunity afforded them to perform distinguished public service.

The importance of coal in waging war is today well understood; as a source of heat and power and of very many by-products its peace time use is no less apparent. Here in Canada, coal is one of our principal national assets, and although the country is

credited with abundant reserves it is to be remembered that the asset is a wasting one. It is therefore in the country's interest that coal should be mined and used to the very best advantage. Recognizing this fact, older countries, where coal mining has been carried on for many years, have had to marshal all their resources, technical and otherwise, in order to approximate the ideal. In the last seventy-five years Great Britain has had ten Royal Commissions, over twenty-six Committees of Inquiry, and twenty-eight Acts of Parliament in connection with its coal industry. The United States of America have had similar but somewhat fewer investigations carried out with similar objectives in view.

RESERVES OF COAL IN CANADA.

The unmined coal reserves of Canada are potentially very large, about two hundred and five thousand, seven hundred millions of tons (205,700 million). These reserves have been estimated and revised at various times in the light of new and more adequate knowledge, and these revisions have resulted in much argument and confusion, so much so that it may be well to here state how the above figure has been arrived at. The International Geological Congress Meeting in Canada in 1913, issued a monograph, entitled "Coal Resources of the World." The monograph was compiled by a Congress Committee, the production being carried out by the Geographical Survey of Canada. In this attempt to assess the world's coal reserves, Canada's reserves were placed at 1,234,269 million tons, about one-sixth of the world's total of 7,397,553 million tons.

These estimates showed the reserves of the Province of Alberta as being 1,075,039 million tons, which is 14 per cent. of the world reserve. Later the Geographical Survey of Canada, incorporated these figures in their official Memoir #59, pointing out that the figures were tentative.

As the result of surveys made by the late J. D. MacKenzie, on the coal fields of South Vancouver Island in 1921, the Geographical Survey in 1923, reduced the estimates for that

area from 5,793 million tons to 835 million tons.

Meanwhile, Dr. J. A. Allen was checking the Alberta figures and his results cut the original estimate of 1,075,039 million tons, to 327,000 million tons. In 1926 the Alberta Coal Commission published its report in which Dr. Allen further reduced the Alberta reserves to 57,512 million tons. The studied opinion of the Commission as given in the official report, states:

"This Commission therefore believes that even on the definition of seams of one foot and over, to a depth of 4,000 feet, the present state of

knowledge demands a reduction in the Alberta estimates, both as to area and quantity, to at most one-fifth of the 1913 calculations. Even allowing for similar reductions elsewhere it will more nearly represent the latest information to say that Alberta probably has 3 per cent and not 14 per cent of the world's coal resources."

About 85 per cent. of Canadian coal is in Alberta; the revisions of that Province therefore give an approximation of our coal position in relation to the world total at the present time. So it seems reasonable to assume that the unmined coal resources of Canada are about one-sixth of the 1913 figures, that is, one-sixth of 1,234,269 which is 205,700 million tons. This tonnage is adequate to maintain our average annual past production for many thousands of years.

Geographic Distribution of Coal in Canada.

Despite the adequate coal resources of the country as a whole, the coal fields are situated in the extreme east and in the west, so that the area between the bituminous coal deposits in the Maritimes and the lignite deposits of Saskatchewan is destitute of any kind of national fuel, excepting wood and peat. A glance at the accompanying map showing the coal fields of Canada and the United States of America, shows how our country to the north of the border illustrates the definition that "Canada is a country with coal fields east and west and railways in between."

The area devoid of coal embraces Quebec, Ontario and Manitoba, a section about two thousand miles wide, which is known

as the Acute Fuel Area of the Dominion. Within it we have the backbone of Industrial Canada with its large centres of population. The power requirements of industry are met by hydro-electric developments, and the fuel requirements of this vast area are largely met by importations of coal from the United States Coal Fields, which the map shows to be in such close proximity. Following the international borderline westward, we come to the huge Alberta Coal Fields extending to the crest of the Rockies and flanking the range and its foothills for about 600 miles. We also note a number of detached coal occurrences scattered over an enormous area in British Columbia, in addition to the fields of the Crows Nest Pass and Vancouver Island. Scanning the territory south of the border we see within the United States large areas, in fact, whole states utterly devoid of coal or containing coal of very inferior quality.

This is true of the States of Washington, Oregon, Idaho, Nevada, California and Arizona. There are three scattered occurrences of very low grade coal in Oregon, a little of poor quality in Arizona, and a field in Washington slightly more extensive but equally poor in quality. To the north of the States, in Canada are to be found high grade coals in the Province of British Columbia, mostly in the newer, as yet undeveloped fields to the north of the Canadian National Railroad. There is a new field of high grade coal on the Carbon River, a tributary of the Peace. There has been no production as yet but investigations of a geological and exploratory character are now underway. A little to the east of the Carbon River occurrence is the Hudson's Hope field, from which some production has been made, a market being found along the new Alaska Highway. These two fields may be connected and can be collectively referred to as "the Peace River Coal Field". This field lies in north eastern British Columbia, east of the Rocky Mountains. The coal bearing formations belong to the Cretaceous period, and in the foothills of the Rocky Mountains where crossed by Peace

River they rest on triassic marine strata. The productive formations are of low Cretaceous age.

The Groundhog field lies roughly about 150 miles north of Hazelton, at the head waters of the Skeena River, and tributaries of the Nass and Stikine Rivers. This field is of considerable area, a provisional figure of 800 square miles having been given, but over large areas the coal seams have been removed by erosion, but in other areas considerable fractions of the total number of seams have been preserved. In one section measuring 3944 feet, eighteen coal seams have been reported, having a total thickness of 34.2 feet of clean coal. The thickest seam being twelve feet thick. The coal is anthracite in grade..

Other scattered areas partially prospected include the Bulkley River and Zymoetz River districts, which have been producing within the last two years.

The dearth of coal in the Western States already enumerated and the complete absence of varieties of good quality seems to be good reason for extensive development of the coal fields north of the International border in British Columbia and the marketing of this good Canadian coal in the United States, because these coals can compete in quality with any product available south of the border.

Taking the coals of the Peace River coal field, that is, the Carbon River and Hudson's Hope fields, the ash content is extremely low. The coal is hard and compact and burns with a short smokeless flame giving off an intense heat.

On the basis of the analysis so far obtained, the Carbon River coal may be described as an outstanding low ash and sulphur coal, of high heat value for all purposes but having no high coking quality. It is a high carbon bituminous coal.

The following extract from the report of Carbon River coal deposits made on August 25th, 1943, by Norman C. Stines, deals with these matters in a very effective manner."

BY MR. COWELLS - Mr. Stines, I may say, examined these deposits on behalf of railroad interests in the United States.

BY MR. FRAWLEY - Who is he?

A. A Mining Engineer who was operative from Seattle, and has done considerable work for the United States Smelting Company in Alaska.

Q. As a Mining Engineer, a Consultant?

A. Yes.

Q. Is he particularly a coal consultant?

A. I have not met him personally, but I think he is, because he has done work of that kind in Illinois and in the anthracite fields there, and he must be because he has just come back from Russia where he was working in the coal fields there.

MR. HOWELLS continues brief:

"An ash content of 5.90% for the Hudson Hope and 2.92 for the Carbon River puts these coals, from the point of view of transportation cost per unit of heat value, in a class by themselves. This is particularly important in a field so far from its present markets as this one is. The relation of the ash content of a coal to the matter of equipment required to produce a given amount of heat is well set out by James White on page 31 of Fuels of Western Canada:

"In the United States, the non-preventable ash content of clean bituminous coal varies from an average of 6 per cent in Wyoming coal to an average of 16 per cent in Colorado, and, for the whole country averages about 10 per cent. In good practice, 10 boilers of 500 H.P. capacity each will generate 300,000 lbs. of steam per hour with coal carrying 10 per cent ash. If, however, the coal carry 15 per cent ash - 5 per cent more than normal - it will require 15 boilers to generate the same amount of steam. If it carried 21 per cent of ash, it will require 20 boilers to do the same work.'

"In the matter of transportation the higher the ash content, the greater the freight charge on the heat actually produced from burning a ton of the product. The analyses show that the non-preventable ash content of the Carbon River coal is low and it is thus exceedingly important for this area that only 'non-preventable' ash be shipped. If proper means of cleaning the coal are taken, there is no reason why the ash content cannot be kept below 3.5 per cent for Carbon River and 6.5 for Hudson Hope. Where the average of the ash content of the competitive coals is around 12 per cent, the saving in coal, for the same steam production, will be 20% by weight. This is a measure of the extra price, as compared to competitive coals now on the market, that

"may be obtained for this coal due to its low ash content alone."

"WEATHERING AND ABILITY TO STAND SHIPPING:

"Since these two qualities are related, they are discussed together. These factors are very important in determining desirability of a coal and therefore its selling price. In these two respects Carbon River coal stands second to none and is so far above all competitive coals, except West Virginia and Welsh products, that no comparison is warranted."

"That this coal can stand weathering is attested by the outcrop of the coal represented by sample 6 and shown on Photo No. 11. Where that sample was taken the seam is on the north wall of Eleven Mile canyon about 40 feet above present stream level. The time necessary for that stream to cut that depth of hard sandstone is measured in centuries not days. The fact that the coal outcropping there is still absolutely unweathered and hard to compact emphasizes its resistance to weathering. Another piece of evidence is the existence of bright rounded pieces of coal in the gravels of every stream. Such a resistant coal is excellent for stock piling as it will not deteriorate in the relatively short time the longest period it will be likely to remain in such piles."

"This ability to stand weathering is a very important factor in determining desirability and therefore selling price of the coal. In this quality Carbon River coal stands second to none and is so far above that of competitive coals (except West Virginia and Welsh) that no comparison is warranted."

"Its ability to withstand crumbling and breaking when handled is another desirable quality. This coal is very hard and difficult to break into small pieces. This not only means less breaking into fine pieces when handled, during shipment, but a larger percentage of 'lump' from 'run of mine'. As 'lump' commands a premium in price of from 25% to 30% over that for 'run of mine' this means a higher average price for the output as a whole."

BY MR. FRAWLEY - Will you go back to the top of page 9 where you begin to quote. He refers to an ash content of 5.9 for Hudson Hope and 2.92 for Carbon River, and later on he says: "If proper means of cleaning the coal are taken, there is no reason why the ash content cannot be kept below 3.5 per cent for Carbon River and 6.5 for Hudson Hope". I don't quite understand that.

A. Unfortunately that is the difficulty when quoting from a

report. There were some samples he had on that and he considered them as well.

Q. Where he is refering to 5.9?

A. Those are the good ones. I have brought analyses made by Dr. Kelso at Edmonton, of live coal samples that I took from 25 to 30 feet in from the outcrop. They are 1.94 and 1.75, very low in ash. I will give you a copy of them; because this is a little confusing here. I will be glad to file this with you today.

Exhibit No. 103 - Report of analyses of coal made by Dr. Kelso.

Exhibit No. 102 - Report of Analysis of coal made by Dr. Jas. R. Kelso.

BY MR. FRAWLEY - Exhibit No. 102 is the report of Dr. Kelso dated Dec. 20th, 1934, and is an approximate analysis; and Exhibit No. 103, dated March 1st, 1935, is the ultimate analysis of the same sample.

MR. HOWELLS continues brief

"Market and Transportation:

It is our studied opinion that in so far as Canada and the United States of America are concerned, the deficiencies of coal in one country can be made good by importations from the other. This would direct the movement of coal north and south and would in each case considerably shorten the distance of rail hauling. The shortening of rail hauling distance is true even in the case of the more remote fields of high grade coal in British Columbia. Extension of the Pacific Great Eastern Railroad from Quesnel to Prince George on the Canadian National Railway, then north from Prince George to Findlay Forks a distance of 180 miles over a very low divide, then east to Dawson Creek, the present terminal of the Northern Alberta Railway, will tap the Carbon River and Hudson Hope or Peace River canyon fields.

Such a road will pass the mouth of the Carbon River 40 miles from Findlay Forks and will reach Dawson Creek 110 miles further. As Prince George is about 468 miles east of

Prince Rupert a total main line rail mileage from the mouth of the Carbon River to deep water transportation is 688 miles.

In the Stines Report already referred to the distances are given as follows:

"The Utah and Wyoming coals have to come by rail about 1,300 miles to Seattle, 1,200 miles to Portland and 900 miles to San Francisco. The Carbon River coal would have to come over 871 miles to Seattle and 1,060 to Portland. If the rail and water are used, the distance to Seattle would be 790 miles by rail and 600 miles by water; to Portland 800 miles and 900; to San Francisco 800 and 1,600 miles respectively. For the Canadian market West of Lake Superior and West Virginia coal has to come some 1,600 miles."

Survey of the Canadian Government statistics relating to coal industries in Canada, 1901 to date, shows that movement of coal north and south has been operating throughout that time. This movement is what would naturally happen if there were no international boundary. This is the common sense fact with which we are faced today. We should, regardless of boundary line, tariffs, or other restrictions whatever they may be, allow a free movement of products to their natural markets.

The construction of graphs from the government statistics bring out a number of facts and well illustrate the various happenings in the coal industry over the last forty-four years."

BY THE CHAIRMAN - Just one minute. The idea is that there is a railway haul from your Carbon River to Prince George?

A. Yes sir.

Q. And to Prince Rupert, that is a haul of 688 miles approximately?

A. Yes.

Q. What is the water haul from Prince Rupert say down to some city in the United States, say San Francisco?

A. 1,600 miles.

BY MR. FRAWLEY - Prince Rupert to San Francisco, 1,600 miles?

A. Yes.

MR. HOWELLS continues brief:

Chart No. 1 shows the annual consumption of coal in Canada since 1900. There are curves showing:

- #1 The total annual consumption of coal in millions of tons.
- #2 The coal produced and consumed in Canada.
- #3 The coal imported and consumed.
- #4 The growth of population.
- #5 The per capita consumption of coal.

The graphs show that during the whole period Canada has consistently imported coal on a large scale from the United States. During the period of review we have imported on an average around 50% of our consumption.

There were periods when some coal was exported from the western provinces to the United States, most of which was used in railway locomotives but some of which was consumed domestically. There was a time when Vancouver Island's coal found a large and ready market in San Francisco at a price of \$28.00 a ton. Some coal from the Alberta fields found its way as far as Seattle and at one time some was sold in Spokane, but the amount of our export to the United States has been exceedingly small in relation to the imports from them. Canada having its population un-uniformly distributed or concentrated in large centres and all this along a relatively narrow border adjacent to the transcontinental railroads has given the typical Canadian business man an east and west conception of the country. Therefore the remedy applied in the matter of evenly distributing the coal production has been along east and west lines. We have endeavored by subventions and other methods to assist in transporting western coal east, and eastern coal to some distance west, despite the fact that transportation of this product over such long distances at excessive freight rates was bound to be and always will be uneconomical and despite the efforts the graphs show that 50% or so of our annual requirements come from

the south."

BY THE CHAIRMAN - You say "some distance" west?

A. Yes; not as far west as we go east.

BY MR. FRAWLEY - Pretty far though?

A. Yes.

BY THE CHAIRMAN - That might mean some short distance or some long distance?

A. It would be both ways I think.

BY THE CHAIRMAN - Is not the fact that 50% of our annual requirements come from the south, due to the fact that we are not producing enough; that we have not got the production capacity in this country?

A. In the west?

Q. Any place. We have never had the production capacity in this country to supply more than 60% of our own requirements?

A. No sir, in the mines already opened, I would say that was correct.

MR. HOWELLS continues brief:

"No 2 Chart shows coal production by Provinces, the country having been divided into four zones; No. 1 - Maritimes including New Brunswick and Nova Scotia; No. 2 - Manitoba and Saskatchewan; No. 3 - British Columbia with perhaps a few tons from the Yukon. Then the tonnage from the Yukon district was never such as to justify including it in a separate graph. No. 4 - the curve of the production for Alberta.

These curves show the comparative performance of the zones in the matter of coal production and on careful study the rise and fall of output can be related to figures and factors that have operated and made themselves felt in the industry throughout the period."

BY COMMISSIONER MORRISON - What do you mean by factors?

A. I was hoping to have studied those graphs to the same extent that I started to study that bituminous one. The stripes and everything are evident, but it takes time to spot them. In

normal times they sent about 300,000 tons to Great Britain; but during the 7 months strike they sent twenty million tons. So it shows the futility of their striking while their American brothers are sending the coal.

Q. It shows the necessity of an international Labor Union.

A. I think it shows the futility of strikes. I believe if this were followed up we could show you on the charts a number of things that would interest you.

MR. HOWELLS continues brief

In Chart No. 2 there has been no segregation as to the types of coal mined, in fact no such records were kept until 1918.

Chart No. 3 depicts the output of coal in Canada by grades from 1918 onward. A table giving an idea of the geographical distribution is included and a chart has been plotted showing the relative or percentage output of each grade in order to give an idea of the relative quantity of each grade produced.

The United States Bureau of Foreign and Domestic Commerce maintains records of exports of bituminous coal from the United States to foreign parts. The Chart compiled from these figures shows the tremendous tonnage sent to Canada every year, in fact over 90% of the bituminous coal exported finds its way into our Dominion. The United States bituminous trade with Canada therefore is far more important than its trade in the same product with any other country.

Problem of Seasonal Employment:

No class of workmen ever has been satisfied with seasonal employment. The situation in Canada and U.S.A. are pretty much alike, but the situation on this continent and the situation in the coal industry of Great Britain are hardly parallel. The coal seams in England, Wales and Scotland are difficult to work, with a result that the output per man per day, is far less in Great Britain than it is in the United States and Canada. While there is a market for practically all the

coal the British miner can produce, there are those who contend that it is practically impossible for the British worker to earn living wages with the mines operating under private ownership, hence the clamor for nationalization of mines. The royalty owners have been eliminated in Great Britain some two years ago, the government compensating them for yielding their ownership of coal beneath the ground. There is a limit beyond which it is impossible to increase the price of coal to the general public. This maximum price was reached in Great Britain some time ago, and the miners realizing that any increase in wages would be difficult to obtain, propose to operate the mines and sell the coal at less than cost of production, the difference being made up by taxation. Whereas the British have high costs largely as a result of geological conditions resulting in low production, Canada and United States have a high cost figure but it is largely due to seasonal operation.

The problem is to stabilize the coal industry and remedy the serious condition insofar as the workmen are concerned. With other industries the material produced can be stored during a slack season, whereas the storage possibilities of coal are limited. Certain commodities like lumber improve with age, but in the case of coal it is quite different, the bituminous variety will not stand storage; the anthracite and harder varieties of bituminous like the Peace River coals will stand storage for a time, but none are improved by such treatment. However, despite these difficulties wider storage of coal should be practised during slack or off seasons.

It must be remembered that the physical condition of the mine deteriorates during stoppages of work. The forces of nature keep on working, pressure produces roof and floor movements that adversely affect the underground roadways, gas may accumulate and in many mines inflow of water take

place. So, when actual mining is not carried on, the costs of maintenance continue and are sometimes heavy. It is therefore in the interest of the mine owner to keep working, especially in these days of mechanization underground, coal cutters and conveyors to be successfully used call for rapid and continual advancement of the coal face, a factor so very important in roof control and ease of working.

Reconstruction and Rehabilitation:

We read much and we hear much with respect to the plans of the Federal and Provincial Governments to provide jobs for the returned men following this war. It is true much has been done by these Governments and their Boards in planning public works of various kinds, but it is only the permanent development of this country's natural resources, that will provide permanent jobs and permanent homes for these people.

It is over 30 years since there has been any railway development of any consequence and it must be admitted that it was the railways that opened up this country to people and blazed the way to progress.

We believe that in the post-war period an era of development of natural resources of this country must be undertaken to assure permanence and progress of this our great heritage.

We respectfully submit that in the province of British Columbia no more permanent settlement can be offered to large numbers of people than in the opening up of that great portion of British Columbia lying north of the Canadian National Railway.

Respectfully submitted,

(Sgd) John Burns

President, P. Burns Coal Mines Ltd."

(Page 1715 follows)

EXAMINED BY Mr. Frawley.

Q On page 13 you call attention to the fact that there was a time when Vancouver Island coal found a large and ready market --

BY THE CHAIRMAN: The usual custom is to swear a witness.

(Oath administered by Chairman)

BY MR. FRAWLEY: On page 13 you call attention to the fact that there was a time when Vancouver Island coal found a large and ready market in San Francisco at a price of \$28.00 a ton. Do you know why that was discontinued?

A No, I don't know why, but I know it is mentioned in a paper presented to the Institute of Mining and Metallurgy not long ago.

BY COMMISSIONER McLAURIN: Probably in the days of Drake.

BY THE CHAIRMAN: It is not that you don't understand why it was not continued at \$28.00 a ton but why it was not continued at any price?

BY MR. FRAWLEY: I think it was Mr. Plommer who suggested that with the opening up of large oil fields in California that slackened off and died.

MR. HOWELLS: That certainly was a determining factor, and later that excellent coal from Illinois started to get out there.

Q There is not a great deal of coal goes in there?

A Very little, but we must send an excellent product there; we can't send any kind of coal.

Q In other words you say we have simply got to go down there and capture some of that market now served by fuel oil?

A And taking an excellent product. We have got to take advantage of dressing operations to a far greater degree than in the past.

Q People will pay more to heat their houses by oil than by coal?

A Because of the ease with which the operation is carried on.

Q Those people in Calgary, the price of coal would have to go down pretty low to take those people off natural gas?

A Yes, that is true.

Q I was very much interested in your reading of this memorandum, but it is a very difficult problem to get coal down into San Francisco, even such good coal as you say you have in Peace River, against all that oil?

A Well, there are some places where the oil doesn't do; they have to have good coal.

Q Those are fairly limited?

A But have you had the figures of coal compared with the oil consumed in the area you speak of? It is astounding. Of the tonnage brought from Wyoming and Illinois they are hauling 8 to 12 cars per hundred to these cities.

Q Let us assume there are some places there where coal could find a market, then you would have to, from your isolation up in Carbon River, compete against the coals from--well, let us say Virginia coal. There is very fine bituminous coal in Virginia?

A Yes.

Q And that is the coal against which you would have to compete really, if there was a market that somebody thought worth while to try and get? You would have to go in by rail and by water many hundreds of miles. You would have to compete against that Virginia coal. I say Virginia because I think you could probably find a coal in Virginia as good as the coal on the Carbon River?

A There is very good coal. Not as low in ash so far.

Q It would be all rail, against your rail and water shipments?

BY COMMISSIONER McLAURIN: Are we really in the field of reality at all about this?

BY MR. FRAWLEY: Well, I don't know. Perhaps we should explore it.

BY COMMISSIONER McLAURIN: Really I think it is a long way off.

BY MR. FRAWLEY: Were you going to say anything about your Sheep Creek fields?

A No. If they put the railway up there, from Quesnel to Prince George and from Prince George to the Forks and down the river, this area would be opened up. Without the rail-

road it is no use.

BY COMMISSIONER McLAURIN: The last time they had a railroad boom in this country we had to bring ex-President Taft up from the States to find out whether the investment made by the English people was worth anything. He dissented, but the majority members of that board found that they had lost all their money. Of course we were the gainers.

BY MR. FRAWLEY: Would the principal object of the railway be the coal deposits there?

MR. HOWELLS: Well, you know how the Peace River people have been seeking for an outlet for many, many years and they would like to have it go down to Prince George.

Q They have an outlet to go down to Edmonton, but that isn't good enough?

A No.

BY THE CHAIRMAN: The trouble is they have no outlet from Edmonton. I am not fooling about that at all. There certainly should be some outlet of the Peace River into this country here, some way from there, and they tried hard to get a connecting link between the road that runs north from Edmonton into our own Canadian National here. For some reason they never got it.

BY COMMISSIONER McLAURIN: I have heard some suggestion too that the Government, I think the British Columbia Government, has been trying to sell a railroad called the P. & G.E. They couldn't get anybody who wanted to buy it.

BY MR. FRAWLEY: That oil-burning railroad?

BY THE CHAIRMAN: I think, sir, that your brief is as much within the range of probabilities and possibilities as the geological survey we heard here yesterday on the British Columbia province, and personally I am very much interested in your brief, because if there are tremendous bodies of coal in the northern part of British Columbia--and I have no doubt that your brief is right--then there is a way of marketing it.

A How extensive we do not know yet. We are investigating at the moment, so we do not contend as yet it is a big field.

BY THE CHAIRMAN: In giving the geological figures on the basis of tons of coal yesterday---

A I wish I had been here yesterday; I would like to have known the figures.

Q It is not that at all. Were your fields included, this Carbon River field and Peace River field included?

A In 1913, no.

Q Were they added to it at any time?

A Not to my knowledge.

Q How is that?

A They may be. I had nothing to do with the computation in 1926. They must have been taken into account in 1926, not by the International Geological Congress, but Viscount Horner, who was the Food Controller in Great Britain during the war--he placed those boats that you see on the Peace River; he was going to develop this very field, so it was known then.

Q I was rather surprised that your resources there weren't contained in the 1913 estimate.

A Correct, but they may have included it in the 1926.

Q Well, how was it, in 1913 there was a whole lot known about Peace River?

A Not about this coal, no sir, because you see that is still an unorganized district, sir; the nearest habitation is about 50 miles.

Q You feel that it is pretty well proved the coal is there?

A We have found about 30 seams over an area of about 10 square miles so far.

Q That is the limit of your knowledge?

A Of our investigations, and the Government of British Columbia had a party in last year and will give some information on it.

Q How thick are the seams?

A 4.2 to 4.5 feet, no partings, good roof and floor.

Q Is there any kind of an actual estimate at all made of all your resources in there?

A The information to hand is not sufficient. I have only been up there one season, but Stines has given us so many billions of tons, but I have not been able to corroborate it.

BY COMMISSIONER MORRISON: You are in the realm of possible reserves, the same as Canadian Collieries were using?

A Yes.

Q Have you defined them in three categories, possible, probable and actual?

A No.

BY COMMISSIONER McLAURIN: Canadian Collieries did drilling, even in their possible.

A That is what we are doing now. We are awaiting those results.

BY THE CHAIRMAN: I think perhaps that is the one weakness.

If for instance I had a million dollars to invest in coal I would like to know there are tremendously more reserves than you have shown.

A Of course. I wouldn't ask anybody to invest at the moment for this coal, but if the railway is going in anyway it is worth us continuing, but it is worthless as it stands where it is today.

BY MR. FRAWLEY: How is it held? Is that coal in the Provincial Crown up there?

A This is now held by a lease, but the general areas, everything is vested in the Crown.

Q The Provincial Crown?

A Yes, the Government of British Columbia.

Q And the P. Burns Company Limited holds a lease?

A Yes, for 10 square miles.

Q Is it mostly taken up?

A That is the only lease there. It is closed to the public.

Q You say you people have a lease?

A We were there prior to the closing.

Q But at the moment it is not being leased?

A No one can prospect at the moment, no.

Q Why is that?

A I don't know; that is the policy. It is the old Peace River block. The only people who are allowed are the ones who have already staked.

BY COMMISSIONER MORRISON: You have been here since 1926?

A In the West, that is right, sir.

Q In pre-war days the mine-owners with their capital investment and the workmen with their life savings tied up in the home, they were working very short time?

A Yes.

Q A very bad state of affairs?

A Wasn't it, sir?

Q Uneconomic from any way you want to take it?

A Yes.

Q Now until there is a market, an assured market, for steady production, all those vast areas of coal, what would your opinion be of the Government of British Columbia or the Government of Alberta refusing to allow even your company to open up any more production of coal until there was an assured market for the mines already in operation with a lot of capital and men employed?

A You think there is no market?

Q Oh no, I said until there was an assured market?

A I contend that there is a market and we are not doing enough. We should make our own markets. There is a lot of research work to be done. I was in Europe in 1940 and I saw them doing things to coal that we never have dreamed of in this country. For instance, certain seams are deficient in carbon; they would like to bring it up. They have great big tumblers taking 40 to 50 tons. Just as they tumble the

ores in an ordinary laboratory to mix them thoroughly, they mix these ores from seams in South Wales, four or five different kinds. They make blends of coal carefully analysed and so placed that you can buy coal on a certificate of analysis--a ship's master away in the South Seas can go to a firm, say Gueret, Llewellyn and Merritt, and buy coal on a certificate of analysis. It will interest your people here to know that this man Llewellyn, Sir David Llewellyn, who died a year ago, used to be a surveyor on the Crow's Nest Pass in 1900, used to be with Mr. W. R. Wilson from 1900 to 1904. After gaining some experience in the metal fields in Colorado and Pennsylvania he went back to South Wales. There was a mine there, very small seams, 2 feet, 2 feet 6. It had been abandoned. He bought this up, introduced modern mining methods and became highly successful, with the result that he became president and director of about 30 big mining companies and a very wealthy man, and he conceived the idea of having his own sales organization and they had their coaling stations, this firm, all over the world and you could go there and buy, as I say, coal on a certificate of analysis, and if Cunard or White Star wanted to compare or contrast and if their assays didn't jibe within this limit they would get a refund on their coal. We can't begin to go and buy coal on a certificate of analysis. Another thing they were doing. I was interested in seeing figures of S. S. ~~Synthia~~ *Synthia*, a Cunard boat. They were doing some wonderful work in mixing colloidal coal with oil. That means to say, they bring down the particle size so small that it is almost colloidal; it is ever so much finer than the flour with which you make bread, and they have used about 40% of this colloidal coal with about 60% fuel oil, mixed it thoroughly, and when this is produced by a cracking process there is no segregation of solid from liquid. They vary in specific gravity and you would expect a layer of coal to be found, but that is

not so. The Cynthia travelled to New York and Liverpool and back with a saving of 60% in the cost.

BY COMMISSIONER McLAURIN: It is experimental.

A That was not experimental.

Q It is regarded generally by people acquainted with that process as still in the field of experiment.

A Not when cracking oils.

Q Even the Cunards still regard it as an experimental matter.

A Yes, but the war came along. The chief engineer told me if it was not for the war there would be tremendous changes.

Q I have read a little about it. I was left with the impression it was still in the field of experiment.

A The experiment was such that they saved 60% of their fuel bill on the way to New York and back.

Q You said something about Sheep Creek properties?

A No, I have nothing to say about that.

BY MR. FRAWLEY: You are going to make a submission on Sheep Creek at Calgary?

A I don't think so, no.

BY COMMISSIONER McLAURIN: I thought you said something about Sheep Creek?

A They asked me what properties they held and I mentioned it as one of them.

Q That is west of Calgary?

A Yes sir.

Q And that is owned by P. Burns?

A Yes.

Q You know that property?

A I don't know it well.

Q You have been to it?

A Yes.

Q It is good coal?

A Yes.

Q And it hasn't a railroad?

A No.

Q Now where should we build the first railroad, to Sheep Creek?

A I have not advocated that we should build a railroad anywhere. All I am advocating is to take advantage of the railroad that may be built to the north. I am not advocating anybody to build a railroad to the Carbon River coal deposits. It is not a safe thing to do. When I have more information I may recommend it, but at the moment, no.

Q I thought you were recommending railroad building for the reconstruction period? You say our great period of prosperity coincided with the building of railroads and you think that is something that might be done again?

A You are quite correct.

BY MR. FRAWLEY: What is the Burns Company doing as far as that property up there is concerned? Active prospecting?

A Yes, and development, and contemplating some further core-drilling.

BY THE CHAIRMAN: Is that Sheep Creek?

BY MR. FRAWLEY: No, this is the one at Carbon River.

A There are people on Sheep Creek, you know.

BY COMMISSIONER MORRISON: Do you say you will be making representations on the Sheep Creek property at Calgary?

A No sir, I don't think so.

Q You know there is a development there?

A Yes, that is my reason for not entering into it. It is under option to some other people.

Q You are not familiar with what they are doing?

A No, beyond the point that they are doing much bulk sampling, preliminary work.

Q And that they are trying to sell stock?

A Oh, I don't know.

BY THE CHAIRMAN: Is your map there drawn according to scale?

A Approximately.

Q I am talking now about those coal areas. They seem to occupy a large part of the map.

A Yes, those are the coal-bearers. It goes out to sea, of course, we don't know exactly how far; submarine coal fields.

Q It is not a true map?

A You will find that it is--I am sure it is not any more than 5% out in any place because it has been copied from Government sources, put together from Government sources.

BY MR. FRAWLEY: Thank you very much.

C. M. CAMPBELL. Examined by Mr. Frawley.

You have filed with us a brief and attached to your brief you have given us an off-print of an article?

A Yes.

Exhibit 104 - "The Need for a Coal Inventory"
(C. M. Campbell) and accompanying article entitled "This Matter of Reserves"

(Oath administered by the Chairman)

Q Mr. Campbell, I see that you have signed your submission, "C. M. Campbell, Mining Engineer"?

A Yes sir.

Q You live in Vancouver, do you?

A Yes sir.

Q And you are practising in Vancouver?

A Yes sir.

Q Now will you just proceed to put your submission into the record?

A This is somewhat supplemental to remarks made by Mr. Howells and it is an attempt to clarify the matter and see if we cannot somehow or other get a better inventory of our reserves. A trust company will tell you in considering an estate there are two things to be considered: first, the inventory and second the protection of the estate. We have a great heritage here, we believe, and I have tried to deal with the first part of the trust and tried to get some idea of what we have to work with, and there have been a great many conflicting statements and exaggerated statements

and I thought we would bring the matter up here and see what could be done. (Proceeds to read submission, Exhibit No. 104):

THE NEED FOR A COAL INVENTORY

In any investigation into an operation an understanding of the reserves is basic. A large company, like Canadian Pacific, has its assets carefully tabulated and it plans accordingly. Mining companies spend large sums to determine with reasonable accuracy the nature of their reserves before they build their plants. Omission has often meant disaster. The Government of this Province in creating its Department of Industries introduces the Act with the statement that "An economic survey of the natural resources" is to be carried out.

Government Acts have been passed demanding, on peril of fine and imprisonment, that one must not make untrue statements of fact and must not omit to state any material fact required to make the statement not misleading. Mining organizations in other countries have detailed the procedure in calculating reserves and they frankly state that mystery or ambiguity in regard to estimates is an indication of incompetence or dishonesty. Because of a violation of these Acts in this Province Hadley Amalgamated officials were sent to jail.

There should not be one law when an individual or a company is concerned and another when a nation is concerned, yet we face the tragic situation here that when an official of a company transgresses he is sent to jail, but when a Government official visualizes and reports as a reserve extravagant tonnages, which he not only cannot demonstrate but which have since been shown not to exist at all, his figures are not only retained but he is lauded as an optimist and given a high position in the service of his country.

In 1913 our Geological Survey issued a statement in regard to the coal reserves of Canada. It was stated that there were then 1234 billion tons in reserve, the bulk of this, 1075 billion, being in Alberta. In 1936 the Barlow report (page 7)

cut this to 20 billion tons. It is admitted more coal may be found. When it is found it will be time to report it.

At present the writer is a member of the Civic Steel Committee, appointed by the Mayor to see what can be done in regard to a local steel plant. One essential is coke. Here is what we face: The Geological Survey will not stand behind its former estimate of 3000 million tons in the Comox coking coal area and has nothing to replace it. In 1935 Canadian Collieries, in evidence before the Macdonald Commission, would report no more than $8\frac{1}{2}$ million tons in this area, and Government officials are silent. What dependence, therefore, can be placed on Government estimates?

As a result of these discrepancies, not only in regard to coal but also in regard to iron ore, and the refusal of engineering and Government organizations to do anything about it, the efforts of planning organizations, the Civic Steel Committee being an example, are severely handicapped.

RECOMMENDATIONS

It is therefore recommended that the matter be brought before universities and engineering organizations and it be insisted upon that they teach the rules in regard to the estimation of reserves; that Governments see that Acts demanding surveys of natural wealth be carried out; and that governing bodies see that they are carried out according to the rules.

We will then be in a position to plan in regard to our coal needs - now one of the most serious problems in this province.

Now I would like to make a few comments in regard to the matter. In 1921 I was appointed to the job of resident manager for the Granby Company for the colliery at Cassidy, Vancouver Island. The matter was mentioned in the last couple of days. I had been in the Boundary district and it was depleted, we had worked it out, and I had witnessed heavy losses due to over-estimation of reserves and over-equipment of plants, and when I came to Cassidy it was with the understanding, stated in

the Government officials' statements, that there was then in reserve 5793 million tons on Vancouver Island, Comox and Nanaimo areas.

Well, that justifies a very large industry, and it means an industry that would pay in royalties alone to the Province 579 million dollars, and that means a lot. Well, I had not been in Cassidy very long before I found that my good neighbors, the Western Fuel and the Canadian Collieries, were drilling around, diamond drills working in quite a few places, and I inquired as to why and they said they were trying to find coal. I said, "The coal is in reserve. Why all this cost?" They said they couldn't find it; it is not there. "Well," I said, "it is reported to be there," so I thought I had better go into the matter a little further, so took the matter up with Dr. Camsell, the Deputy Minister of Mines, and I said, "As far as I can see there might be some error in these figures," and the logical thing for him to do was to have his representative, Mr. MacKenzie, check it up. So we held a meeting at Nanaimo and the different company representatives decided to give Mr. MacKenzie a free hand, see all their maps, any information he wanted, and he spent two seasons on the job and he cut the figures away down. This is his report.

BY MR. FRAWLEY: To whom did Mr. MacKenzie make the report?

MR. CAMPBELL: He made the report to the Geological Survey, presumably, and he sent copies to companies whose properties he investigated. I got one copy.

BY MR. FRAWLEY: He was a member of the Geological Survey of the Department of Mines and Resources? The report was issued June 1, 1923, called "Coal Resources of Southern Vancouver Island," by J. D. MacKenzie.

MR. CAMPBELL: Now he says in his report: "It is necessary in the interests of national economy that the amount of coal available for present and future use be ascertained with some precision." And he pointed out--here is a statement here based on more complete information than that available in 1913,

that the former estimate for the Comox area was about six times too much. Well, you can't expect meticulous accuracy in figuring out coal reserves; you expect a certain spread; but 600% is out of the question. And in dealing with Nanaimo he said that figure was five times too much. Now the sequel seems to be that even MacKenzie pitched too high.

Now that was very important. We realized on the Island that reserves were not what they were stated to be, and we had a meeting of the Mining Institute here, this article came up, and there were some articles in the papers. We discussed the matter and the first thing we knew one of the men participating in this matter got a letter from the Geological Survey, signed by Wyatt Malcolm, saying that this report had not been published and a few copies had been given to those intimately concerned, so that meant virtual suppression of the report and our discussion stopped, which we thought was not a democratic way of doing things. There was some excuse for the report being brief and that was that MacKenzie died shortly after he made the examination and this report may have been made up from his notes.

BY THE CHAIRMAN: You heard the estimates made by the Canadian Collieries as to their reserves over there?

MR. CAMPBELL: Yes, I am coming to that in a moment. I might also state that a Dr. Williams of Alberta--you may have heard of him, a brother of M. Y. Williams of this city--was appointed soon after MacKenzie died to make a report on the Vancouver Island field and we have never received a copy of that report.

BY THE CHAIRMAN: How long ago was that?

MR. CAMPBELL: That was two or three years after this report. It would be 1925 or 1926. Then the next activity was the Macdonald Commission, and in his introductory address to the Commission Mr. O'Halloran made the statement, dealing with coal, "Blessed are we in this province with a richness in supply of coal beyond the estimation of man."

Now I took the trouble to see Mr. O'Halloran and I said I was familiar with the Island field and I thought it was a great place to live and I hoped to see it make good, but there was something I thought was seriously the matter and I thought the coal reserve was seriously over-estimated and I asked him to do what he could in the sessions and get the facts of the thing, which he said he would do. Then they had a session at Nanaimo at which the matter was gone into. It was dated April 1 and I went to the trouble to pick up the transcript and see what happened there. They went into the reserves all right and the matter of the MacKenzie report came up and Mr. Robertson, counsel for the Canadian Collieries, said, "My instructions were that this report was not given the stamp of approval of the Government Department by which it was issued and that it was withdrawn or suppressed. We have never read it; we have never been able to obtain a copy of it."

So that was as far as they got with that, but the Canadian Collieries officials did go into the matter of reserves, much as they did yesterday and somewhat along the same lines, and the different estimates have been summed up by Mr. Hunt and Hunt estimated total future recovery to be about 40 million tons. Mr. O'Halloran was there and asked a lot of questions and I fully anticipated that the thing would be reported on, but as far as I can see it was not mentioned in the Macdonald Report at all.

Now that is the situation up to that time. Then we come to the evidence yesterday. That shows that considering what we have already mined out of Vancouver Island, something about 100 million tons, and what is left there, as far as we know, may be a couple of hundred million tons, including everything possible. Only a few million tons as against a total of 5793 million tons as elsewhere stated.

I have been working on this for a long while and I cannot get any co-operation from the mining men, so I decided at a meeting to talk about it as plainly as I could, and about that

time we had had this Hedley Amalgamated fracas, misrepresentation. Hedley Amalgamated officials announced 5000 million tons and they couldn't produce it and they were sent to jail. I pointed out to mining engineers here the shortage in Vancouver Island was ten times as much as Hedley Amalgamated. I didn't get to first base with it, and those distorted figures continue right along, not only in British Columbia but in Alberta and all through Canada.

BY THE CHAIRMAN: What would be the purpose, for example, of either the Government of British Columbia or the Government of Canada to over-estimate the coal reserves? I mean if they had any end in view, any purpose?

MR. CAMPBELL: I will tell you what happened me when I brought this up. I brought it up in different places, in Montreal one time, and I pointed out these things, and one of the leading members got up and said, "This damn knocking must stop." In other words there is an opinion abroad that unless a man exaggerates his figures he is a pessimist, and that seems to me to dominate the whole situation.

BY THE CHAIRMAN: I can understand a man who was wanting to sell mines over-estimating, but the only purpose I could see-- I am quite frank about this and there may be something in it-- is that the Immigration Department too often takes a hand in estimating our natural assets, natural resources I should say. Outside of that I can't see what motive a Government would have, and there is no doubt in the world about the over-estimation.

MR. CAMPBELL: I will read you what Dr. Camsell said. I took this matter up and a Government official doesn't usually enter a controversy but Dr. Camsell did enter this controversy. At that time stories were abroad, the statement was made that our mineral resources were inconceivably great, and I questioned that, said if we spent according to that idea we would land in the poorhouse one of these days, and Dr. Camsell wrote an article on the matter and I don't see it right here but I remember it. He said; "Estimates of that sort are the true spirit of

the mining industry, without which the industry will not flourish as it does but will perish or vanish."

I criticized the matter further and I very strongly invited Mr. Crerar, the present Minister, to come over to come over to Vancouver Island and look the matter over and he came as far as Vancouver. At a banquet there he said he noticed he had been criticized but he said, "I do not object to criticisms for being an optimist," and he did nothing about getting down to brass tacks in regard to these estimates.

Now I thought it would be a good thing to go into the matter of these rules and so I spent some time in studying the matter, how they do things in England and the United States, and I wrote a paper and submitted it to the editor of Mine and Quarry Engineering, which is a British paper.

BY THE CHAIRMAN: They certainly don't under-estimate things in the United States.

MR. CAMPBELL: Well, they are pretty careful about some things. I will come to that later. And I submitted it to the editor. This paper circulates throughout the Empire, and he printed it, and I will just read two or three paragraphs from it, and it will amplify what I have said. Dealing with the coal reserves of the world I said here: "Astronomical tonnages were reported for the United States, Canada and China. In Canada there are three main coal areas--Vancouver Island, Alberta, and Nova Scotia. A reserve of 5,793 million tons was allotted to the main coal-bearing section of British Columbia. In 1923, J. D. McKenzie, in charge of the Canadian Survey office in Vancouver, reported the estimate to be far out of line with the facts. Today the area appears to be nearing exhaustion with a total of coal mined and in reserve of about 100 million tons only. In Alberta the estimate of 1,075,000 million tons, featured as one-seventh of the world's reserve, has been cut to 20,000 million tons by Dr. Allan."

Notwithstanding the fact that the Barlow report was issued

in 1935 it was ignored by the people of Alberta themselves. I have here a publication of the National Coal Committee of Canada dealing with reserves in that province and it is dated in 1938.

BY MR. FRAWLEY: Who wrote that?

MR. CAMPBELL: Lipsett, L. R. L.

BY THE CHAIRMAN: A Government man?

MR. FRAWLEY: Oh no, an Irish K.C.

BY COMMISSIONER MORRISON: He belongs to Mr. Frawley's Union.

MR. CAMPBELL: He says throughout Canada there are actual supplies estimated at 1200,000 million tons, and estimated by Professor Stephen Leacock as sufficient to supply the Dominion for 36,000 years. In other words, they ignored the Barlow report altogether.

BY COMMISSIONER McLAURIN: When you say "they" you are not exactly fair, are you? The Barlow report is a Government report. Now the "they" you are referring to are not the people who originated or promulgated the Barlow report. It is an individual who prepared a brief and he happens to be living in Alberta.

MR. CAMPBELL: It is issued by the National Coal Committee. Wouldn't they endorse it?

BY COMMISSIONER McLAURIN: Who are the National Coal Committee?

MR. CAMPBELL: I don't know.

BY COMMISSIONER McLAURIN: It might be a one-man committee for all you know. It might be Mr. Lipsett.

MR. CAMPBELL: Is it?

BY COMMISSIONER McLAURIN: You weren't suggesting it speaks for the Alberta Government?

BY THE CHAIRMAN: He didn't say that. Do you know anything about the National Coal Committee?

MR. FRAWLEY: No. Published by the authority of the National Coal Committee, Calgary, Alberta, and right under

that, "Western Canada Fuel Association, Nanton Building, Winnipeg, Manitoba." Perhaps you had better see Mr. Burgess.

BY THE CHAIRMAN: That is not the point. It is whether or not these people have any standing.

BY COMMISSIONER MORRISON: May I suggest to you that Mr. Lipsett was undoubtedly presenting this to Mr. Crerar and he may have been aware of the statements that he made at your banquet in Vancouver, and having that in mind he wanted to approach the subject with a spirit of optimism so that he would meet with a favorable response from the Honorable the Minister of Mines. Wouldn't that be a fair assumption?

MR. CAMPBELL: Well, it might be. The whole thing is we are getting very distorted tonnages on the record.

BY COMMISSIONER McLAURIN: I think you are making out quite a case. All I am saying is in taking the Barlow report, practically issued under the authority of the Alberta Government, and then taking up a pamphlet issued by a committee and saying it is the Alberta Government who are doing the misrepresentation, putting forward a statement which is an extravagant statement. It is not an extravagant statement from the same authority as the Barlow report.

MR. CAMPBELL: I may not have made myself clear, but my point was that the Barlow report should have been better recognized than it has been, and that is one case and I could produce many more. One, for instance, a member by the name of Mr. Kennedy made probably a duplicate statement.

BY COMMISSIONER McLAURIN: I agree with you entirely.

MR. CAMPBELL: I have a heading here--perhaps I will read this--I say "Coal estimate revision overdue." There is one point here that Allan gave in the Evans Commission in 1925: "The Alberta coals are Cretaceous in age and as compared with Carboniferous coals are much less regular, being composed of a different kind of plant material. Many Carboniferous coals are made up of large trees but the Cretaceous coals originated

from smaller types of vegetation which grew along the shore lines where the conditions were changing very rapidly. Therefore coal seams in Alberta vary from place to place and in the distance of a few miles in a certain direction a workable seam may change into an area where there is no coal at all."

It is far more intensive right here on Vancouver Island. I have gone in the mine at Cassidy and we would have 6 feet one day and nothing the next day. I would also like to point out in regard to conditions in Cassidy that even coal that you know is there you may be unable to get but very little of it, and I will just mention two or three reasons. For instance, they talk about mining coal down to 4,000 foot depth. "As for mining coal to 4,000-ft. depth, assuming that it exists to that depth, the argument in Canada is that since they mine coal to that depth in some countries there is no reason why this should not be done in Canada. The rule says, however, that 'working conditions obtaining the district' must prevail." Over there at Cassidy we got down somewhere about 2,000 feet, got our slopes in, got our rails down, cars in, everything fine, worked for a while, then around the post the first thing you knew the floor would crack and the whole bottom would gradually heave up and your cars would be hitting the caps and you had to take the old stuff up and take the bottom up. Now there is an economic limit to that. That is one thing that prevents a lot of coal from being mined on Vancouver Island.

There are badly faulted areas, for instance. In Cassidy we had a block of ground and the coal looked as if it was dipping like that. When we got underground we found a wide area where it went down like that. Drive a tunnel, try to get that coal beyond, you couldn't get through that. It was not until we got to the 7th level that we were able to get through. There was a lot of coal lost there. Then there are the blow-outs and many other things. I don't need to go into that.

Now I have met these excuses from geologists in regard to this discrepancy and their refusal to get together and get a fair statement. One man says, "Well, a man is entitled to his opinion." I said, "Does that mean we have to put up with great spreads in reserve estimates?" The Securities Exchange Corp., that is an American organization, and they have gone to quite extreme lengths in throwing out prospectuses that were not according to the facts. A stop order is placed on every prospectus when an opinion is expressed that is not so based. Here is a typical ruling:

"Investors are entitled to assume that an engineer's report purporting to contain an appraisal on a mining property has been prepared on a basis of approved methods, and in accordance with accepted definitions of terms. It is a gross misrepresentation to designate as an appraisal of the properties a report which was not prepared by the use of approved methods and which amounts to no more than the guess of one man, whose work and report in connection with these properties were highly incompetent."

So the point is that there are rules that have been set out, and if you get those rules together and they are taught in the universities and the mining organizations endorse them, or endorse some rules, we can get together something on which we can base estimates, and when the estimates are made they may not agree but there won't be any great disagreement, and I pointed out in conclusion here: "It does not make for a strong country and the need for a strong Canada and a strong Empire is paramount today and tomorrow. 'We wish to make our country safe and strong--she can only be safe if she is strong--and we wish her to play her part,' said Churchill. 'There is need to lay aside our easy-going life, to have efficiency and a broad national plan. . . There must be a plan, and there must be action following on it.'

"If that be the case then we must know just what we have with which to plan. Are Canada and the other Dominions destined

to supply raw materials, as long as they last, to the world, or should we reconsider a policy of record export of raw materials and seek development along other lines, in part at least? Much depends on the character and extent of our reserves."

That is all I have to say.

BY THE CHAIRMAN: There is just one more question. In the Geological Survey of Canada do they send their own engineers, that is attached to their Department, out on their geological surveys, or do they take the opportunity of engaging good men throughout the country?

MR. CAMPBELL: The leaders are generally Geological Survey officials and they take with them usually undergrads or graduates, but there is very rarely a report made by an outside engineer.

Q What is your solution in order to get a more accurate picture of our coal resources through the Geological Survey? What is your suggestion? How could it be done better? That is one of the things that is placed before us for study, to get our coal resources.

A Well, there is a possibility to approach them in this way. I don't know how far you would get. The Civic Steel Committee, of which I am a member, we cannot go any farther because the estimates are so conflicting.

Q Estimates of what?

A Coking coal and iron reserves. They are just as bad on iron as they were on coal.

BY COMMISSIONER MORRISON: We are not going to touch iron.

BY THE CHAIRMAN: I don't know. I would like to find out what the iron resources of central British Columbia are.

MR. CAMPBELL: If we had an iron industry here we would have a summer market for coal.

Q Have you any iron resources here?

A Yes, we have; we think valuable, too. In the case of the nearest the spread is between 6,900 tons and a quarter million tons. Now you can't do much with those estimates. It would be a solution in a great many places to the coal industry

if we could establish basic steel industry and then get a market for steel.

BY THE CHAIRMAN: Going back to my question, what is your idea of how we could get better, more accurate reports from the Geological Survey as it applies to coal. You say today for some reason or another they are not accurate, and I absolutely agree with you, not only not accurate but in many cases absolute guesses so far as I can see. Now what is the answer to that? How can we change it from guessing to some degree of accuracy?

MR. CAMPBELL: You might make a recommendation to the effect that your work is handicapped by the great spreads between estimates, and that there are rules to govern these things and that officials should be familiar with them.

Q Was it the Geological Department that made those three distinctions about coal, actual, probable coal and possible coal?

A The first ruling in regard to that was made by the Institute of Mining and Metallurgy in London in 1902.

Q We can't blame the Geological Department for that?

A No. And they put the matter very plainly. Those rules were taught to a considerable extent in the colleges and they have been changed slightly, not in meaning but instead of calling it "ore in sight" they call it "actual or reserve." Instead of calling it "proven ore" it was "actual ore or ore blocked out", but there has been no basic change ever since that.

Q Of course you realize too, Mr. Campbell, that it is well-nigh impossible, outside of actual development, real development work, to get an actual picture of the coal reserves of this country, or of other countries?

A You have got to do some real development work to know what is there, but when you are making a statement you can make a statement as to what you do know; that is as far as you can go; beyond that is merely surmise and it should be represented as such. Now the troubles with those estimates, they take the actual stuff and then they take their surmises and possibili-

ities and hypothetical coal and add them all together. That is absolutely against the rules, definitely.

BY THE CHAIRMAN: Well, we thank you very much--I think I speak for the Commission--we have been very much interested in your report.

BY MR. FRAWLEY: Did I understand you to say that the Macdonald report didn't have the MacKenzie report before it?

MR. CAMPBELL: It makes some reference to it but at the session at Nanaimo it was as I stated. They may have got it later.

BY MR. FRAWLEY: I have it. On page 4 of the 2nd Volume of the Macdonald report he devotes a section here to "Coal in Canada" and he begins by referring to the Dowling survey of 1913, and he sets that out, which shows these same figures Mr. Campbell has been telling us, then he refers to something by one Dr. Moore on "The Origin, Physical Character and Distribution of Canadian Coals," in which some criticism is offered of the Dowling estimate, and then he refers to the MacKenzie Report. It was before the Commission as marked as an exhibit, 164, and finally he simply says this: "For the above reasons the Commission is not concerning itself, save as discussed in Section 5 (h) and (i), Chapter IV, and Section 4 (B) and (e), Chapter IX, as to the coal reserves in British Columbia, actual, probable, or possible. It sufficeth to say that, as far as we can gather from the estimates perused and from such evidence as has been presented, there is an abundant supply of first-class coal in British Columbia without any suggestion of early exhaustion." That is as far as he goes. I think that should be brought to the attention of the Commission.

BY COMMISSIONER MORRISON: That report certainly has not been borne out by the facts.

ROYAL COMMISSION ON COAL

Vancouver, B.C., March 28th, 1945.

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Vancouver, B.C.

Wednesday, March 28th, 1945.

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ROYAL COMMISSION ON COAL

Vancouver, B. C.
Wednesday,
March 28, 1945.

The Commission convened at the Court House,
Vancouver, B.C., at 10:00 A.M. on Wednesday, March 28, 1945.

PRESENT:

Mr. Justice W. F. Carroll, Chairman
Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary.

Mr. Frawley asked Mr. A. M. Richmond to take the stand.

BY MR. FRAWLEY - Mr. Richmond you are the General Manager
of Telkoal Company Limited, operating at Telkwa?

A. Yes sir.

Q. And you are here on behalf of your company to make a
submission?

A. Yes sir.

EXHIBIT NO. 105 - Brief presented on behalf of
Telkoal Company Limited.

Mr. Richmond then read Exhibit 105, as follows:

"Re: Telkoal Company, Limited, Telkwa, B.C.

This brief is submitted to outline the causes which
brought our coal mine into being, and to suggest methods by
which its life might be lengthened to the benefit and develop-
ment of the northern and western part of British Columbia.

The Telkwa Coalfield was suggested to the writer by
one of the officials of the Coal Controller's Office as a
field worthy of study and investigation, to the end that
military coal requirements in the northern part of British
Columbia might be filled from a point within the area under
control."

BY COMMISSIONER MORRISON - When you say "one of the officials"
whom do you mean?

A. Mr. Frank Loask, the Coal Controller.

MR. RICHMOND continues submission.

The Telkoal Company Limited, a private company, was formed after some preliminary development work had been done, in February of 1943, to open and operate the Betty Mine."

I might mention that drilling was at the recommendation of Mr. V. A. Vanseck, the Board's Consulting Engineer. He made an examination of the fird in April 1943.
(continues submission)

"Production started in the fall of 1943, after some diamind drill exploration work had been done on the property by the Emergency Coal Production Board. Production for 1943 amounted to 6880 tons and production for 1944 amounted to 22407 tons. Production in 1945 is currently running between 110 and 130 tons per day with the mine working six days per week. Over 90% of this coal has been delivered to Canadian and American military installations between Prince Rupert and Prince George.

The coal being mined is a hard high volatile bituminous coal having a proximate analysis averaging 1.86% moisture, 29.97% volatiles, 60.175% fixed carbon, 7.40% ash, 0.65% sulphur, 0.05% phosphorous, 13745 BTU's as received and 13990 BTU's on dry basis."

That is the average of our mine sampling. There are quite a large number of samples included.

BY COMMISSIONER MORRISON - On your BTU basis, what was your minimum and maximum?

A. The minimum was 13200, and the maximum in one special place was 15000. That is a very special piece of the seam. The seam itself is quite thick.

Q. There is no bone in that piece?

A. No, it is what we call a blacksmith coal. It runs about 3% to 3 $\frac{1}{2}$ % ash.

BY MR. FRAWLEY - Where does this come in the bituminous classification?

A. In the high volatile bituminous "A".

(Continues submission)

"We have several seams of this coal, the top or Ferguson Seam being from 8 to 9 feet thick. The Betty Seam, some 90 feet below the Ferguson Seam, is 17 feet thick. The No. 3 Seam 16 feet below the Betty Seam is 7 to 8 feet thick. The No. 4 (Major ?) Seam some 20 feet below the No. 3 Seam is from 6 to 7 feet thick. All seams are high volatile bituminous coal. The analysis given in the preceding paragraph is of the Betty Seam, the Seam in which the mine workings are at present being driven."

We call it the Major, although we are not definitely sure, it is the same correlation as another we have.

BY COMMISSIONER MORRISON - How do the other seams compare with the Betty Seam?

A. The analysis we have are very close. The Ferguson seems to be the best of all. It is clean, without any bone. The Betty, which is 17 feet thick, has a 3 ft. section of very low ash at the top, and a 9 ft. seam of domestic coal containing $1\frac{1}{2}\%$ to 2% of volatile ash. The roof is very good. It is a hard shale. All our developments are driven 16 to 18 feet and we use one prop every 8 feet. We use as a roof the top 3 feet of coal and it makes a perfectly smooth roof, as smooth as this room. And it has some operational points of difficulty in that the slopes of the seams vary from ten to twenty-five degrees. Not steep enough to let the coal run. It will if you put steel shutes in.

Q. Sheet iron?

A. Yes. There are only short sections at 25 degrees.

Q. How much of a lift?

A. We enter from the surface on a slope which is down about 800 feet at an average pitch of 20 degrees.

(Continues submission)

"This coal is one of the finest steam and industrial

coals in Canada."

That is according to the Emergency Coal Production Board.

(Continues submission)

"The coal being hard structurally there is little degradation to it in handling and average mine run will show 80% passing over a $2\frac{1}{2}$ " screen with the remaining 20% of the mine run passing through the $2\frac{1}{2}$ " screen openings. The coal is an ideal furnace coal. The ash has a high fusion temperature which makes the coal sought after for industrial steam production.

The military installations of the Canadian and American Governments have taken practically all of the lump coal which we have produced, while the Canadian National Railways have taken most of the minus $2\frac{1}{2}$ " coal for the firing of their roundhouses at the divisional points along their Rupert-Jasper branch. The railway are very well pleased with the steaming qualities of the coal they received and burned. The military men say this is the finest coal they get for their camp installations.

With the possible cessation of hostilities in Europe during 1945 the military requirements in the northern part of British Columbia will no doubt cease. With this possibility in view we have been investigating possible commercial outlets for our coal and we find that there is an excellent market along the coast of Alaska and British Columbia for this type of coal as both an industrial and domestic furnace fuel. We have been endeavoring to make a satisfactory lease on waterfront property at Prince Rupert so that coal may be readily and cheaply transferred from cars to barges and scows for shipment to points between Vancouver-Victoria and Skagway. So far, due to the waterfront at Rupert being largely in the hands of the United States Government for the duration of the war, we have been unable to complete final lease arrangements."

We have been, I believe, successful in making

the lease which was mentioned at the time I wrote this particular letter, so there is no need to refer to that.

(Continues submission)

"We would like the assistance of the Royal Commission to speed the granting of this lease to us so that we may be able to meet the Coast coal requirements in small part at least.

We believe from such information as we have at our disposal, mostly it is true from the daily press news items, that oil in the post-war period may be subject to much closer control than it was in the prewar period."

BY COMMISSIONER MORRISON

Q. What do you mean by that?

A. This International Oil Commission which has been established recently in the Old Country to control and watch the marketing of oil, that is the one which Great Britain, the United States and various countries have had preliminary discussions on, they may or may not control the marketing of oil.

Q. Suppose you come a little nearer home, what do you say about that?

A. The local oil situation here I am not very familiar with. I know that if oil prices rise generally in the world at the well-head, the price in the north will rise to correspond, and any oil men I have seen will take all they can get, just the same as anyone else, and they have to judge the price of their product to the market which they have available. They may lose on some of the market, and they may get more for certain production than is necessary. There may be a grade gradation in thier price structure.

Q. Robbins Peter to pay Paul?

A. I think most people do that. We try to get an average price for our product. You might get a better price at one time than another, and you might have to give a cheaper price on other products in order to avoid accumulation on the ground. It does not take long for interest to run away with some of the income on coal. You have paid for labor and cost of mining,

and if you store it you have a charge running against it at all times, which very surely eats up the possible profit.

Q. And if the rate is high enough it won't take so long.

A. Not very long, and the Banks get a good interest rate. And in connection with that oil, I was talking to one of the officials, Mr. O'Brien, and he suggested if oil should become short, then the Government Railway between Rupert and Jasper might be forced to go to a coal burning type of equipment.

Q. Obligated to?

A. Yes. If such were the case we would be the logical source of supply for that particular branch of the railway.

BY MR. FRAWLEY - Are you on the main line?

A. Yes, between Rupert and Jasper. The mine is six miles from the railway and we truck it in.

BY THE CHAIRMAN - Have you an operation there?

A. A very small prospecting operation, a small group from Victoria. There was a report prepared for Dr. Young of the Geological Survey by Dr. R. B. McKay in which he gave pertinent data about the field and suggested the possibility of several million tons of coal in that particular field. That was based on the supposition that only 500 acres of the field would contain coal to an average thickness of 7 feet, and he worked out 4,300,000 tons as a possible reserve. I have not given any figures, but at the present moment we have six hundred odd thousand tons proved, and indications of several million tons of possible coal. We control seven thousand acres of that field and coal formation is known to exist on three thousand.

BY MR. FRAWLEY - How do you hold it?

A. Three square miles under purchase arrangement with the original Old Country owners, and eight square miles under lease from the Crown.

Q. You mean, some was held in fee simple?

A. Yes.

Q. And you are buying that from the owners?

A. Yes.

Q. And some you are leasing from the Provincial Crown?

A. Yes.

Q. What royalty per ton do you pay them?

A. Ten cents per long ton.

BY THE CHAIRMAN - The surprising thing to me is that this was not developed years ago; I suppose on account of not knowing the reserves?

A. The railway was there, but they burned oil.

Q. They didn't always, did they?

Q. I believe part of the reason for the railway burning oil in British Columbia is at the request of the Department of Forestry, in order to preserve the timber reserves.

BY MR. FRAWLEY - Is that Federal or Provincial?

A. It used to be Dominion, but I think it passed to the control of the Provincial with the taking over of the forestry sections in the railway belt by the Provincial.

BY THE CHAIRMAN - I suppose the railways would have something to say about using oil? Is there a law against using coal in that region?

A. I cannot say definitely.

Q. I would think more would be undertaken by the railway themselves to keep themselves fairly safe?

BY MR. FRAWLEY - You pay 10¢ a ton royalty, and 10¢ a ton tax?

A. We call that a royalty; it is a charge against it.

Q. You take a lease from the Province?

A. Yes.

Q. And under that lease there is a royalty reserve?

A. It requires us to do \$250. worth of work on development, and then at the end of a period of 1, 2 or 3 years, we may apply for a lease, and then we get the lease and pay \$100. per year on the license and on the lease..

Q. \$100. per year?

A. Yes.

Q. Is that on so much per mile, or acre?

A. Per square mile.

Q. Ground rent?

A. Yes. And then we have the taxation of 10¢ per long ton on all coal won from that particular section irrespective of whether the Crown owns the land or if it is held in fee simple.

Q. So the Crown takes no royalty, as such, from its coal lands which they lease to you?

A. It is different departments of the Crown. The money goes into consolidated revenue as coal taxation. When we pay the \$100. a year which we pay for our lease, the cheque is made out to the Government Agent, Smithers.

Q. That is ground rent?

A. Yes, but we still have to pay it.

BY THE CHAIRMAN - What does it work out per ton?

A. It works out to a little over 10¢ a ton.

Q. The whole tax that you have to pay, your license to operate and everything else?

A. Well at the moment we are not taking any coal from the Government licenses, so we have no figure for that.

Q. It would be interesting to know; because that is a question I raised in Nova Scotia.

A. The Emergency Coal Production Board and the Dominion Fuel Controller, they have set costs for each year for the industry for Canada, showing the royalties and taxes in detail. I have the figures for two years ago. On our production it runs about 11¢ or 12¢ when we average the whole property. We take our license rentals and apply that against taxation.

(Continues submission)

"If oil should increase in price, or if its use should be restricted to essential military uses, then there would be a definite possibility that the Northern line of the Canadian National Railways between Prince Rupert and Jasper would have to turn to coal from oil for the operation of its

engines and auxilliary equipment. The Telkwa coalfield would be the logical source of their fuel requirements, and as such its development should be encouraged in every possible way.

We are also given to understand that the northern part of British Columbia will experience a more rapid settlement in the postwar period than it had in the prewar period. This settlement and expansion, and the possible opening of large paper and pulp industries along the northern line of the Canadian National Railways will sometime require a source of fuel, such as the Telkwa coalfield can supply.

During the war period Prince Rupert has been provided with very excellent harbour facilities for the handling of ocean freight. We expect that in the postwar period overseas trade with Russia and the Orient will increase quickly and no doubt Prince Rupert could be made an important point of call for freight steamers, many of which may be coal burning freighters. Prince Rupert lacks any coaling facility for the coaling of coal burning freighters, and we would suggest that consideration should be seriously given to the provision of this bunkering facility so that the present excellent freight handling facilities might be used to the full in the post war period. We, as a small company, are not able to do this task, but we could supply all the coal that would be required to operate any coaling facility that might be constructed. We believe this construction necessary if use is to be made of the Port of Prince Rupert after the war."

I believe that something like twenty million dollars has been spent in the construction of facilities at Rupert, possibly less, and they can handle an enormous amount of freight through there. We are not able to do this task, but we could supply the fuel which would be required to operate their coal facilities there. Rupert is closer to the Orient than Vancouver (the Vancouver people would not like to hear me say this) some 500 miles less by steamer, and the steamers cost so much

per mile to put them through the water, and if coaling facilities were there, then Prince Rupert might gain from this overseas trade. The transcontinental railway have a branch into Prince Rupert, harbour facilities are there, and they are making plans to move all the freight they can through that terminal to keep Prince Rupert on the map as a port of export for Canada, and we believe that close investigation should be made of the facilities at Prince Rupert with a view to this post war trade. I don't know what it is going to be, we may have a certain amount of trade if we have more or less international free trade, which seems to be among the thoughts of those governing these things.

BY MR. FRAWLEY - You mean you could not go out there and build coaling facilities for your own operation?

A. No.

Q. You mean there should be something of public coaling facilities which you could use on payment of a fixed tariff and so on? That is what you have in mind?

A. That is what I have in mind.

Continues submission.

"With the gradual decrease in coal production on Vancouver Island, for both domestic and industrial uses, more and more Alberta coal has found a market in British Columbia's coastal cities and towns. To make Canada more independent of American sources of coal it may be considered wise and expedient to move larger quantities of Alberta coal eastward, thus depriving British Columbia of much of their Alberta importations. The development of greater capacity at the mines in the Telkwa coal-field. Production over the next few years we believe could be brought up to several hundreds of tons of coal per day. We believe in the tennant that British Columbia coal should be used in British Columbia markets wherever possible and if it becomes necessary to ship a larger proportion of the Alberta coal to the east then every endeavor should be made to stimulate the production from the British Columbia mines to meet the British

Columbia demands.

In summary therefore we wish to submit for the consideration of the Royal Commission on Coal as follows:-

1. Every assistance should be given the mines in the Telkwa area so that coal can be available to the Canadian National Railways in the event they have to change over from oil to coal firing in the postwar period.

2. The Port of Prince Rupert should be equipped with coal bunkering facilities so that full use may be made of the excellent harbor freight handling facilities which have been constructed during the war period, so that full development of Russian and Oriental trade can be done through the Prince Rupert Harbor."

BY THE CHAIRMAN - Is there any considerable development done there by the Railways?

A. Yes, years ago, before the war, and of course since the war the American installations.

"3. Development of the Telkwa area should be expanded to take care of the development and settlement of the northern parts of British Columbia, which it is expected will take place in the post war rehabilitation period.

4. Consideration should be given to the expansion of the Telkwa coal field so that coal for British Columbia use may be increased, and thus permit the shipment of more Alberta coal to eastern markets.

5. Assistance is required in securing a lease on the waterfront at Prince Rupert as quickly as possible to the end that the mines in the Telkwa area can be kept operating steadily in the supply of coal to the coastal markets of both British Columbia and Alaska."

As I say, in connection with the lease, we have that under control now.

"All of which is respectfully submitted.

(sgd) Telkoal Company Limited
A. M. Richmond

President and Managing Director."

MR. A. M. RICHMOND sworn as to the facts.

EXAMINED BY MR. FRAWLEY

Q. Mr. Richmond you have just been in this operation since 1943?

A. Well I actually started in September of 1942; I made the first examination.

Q. Were you in the coal business before then?

A. No, I am a consulting Mining Engineer in British Columbia and have been in business here for twenty odd years. I worked in the coal mines in Nanaimo in 1923.

Q. Has your work as a Mining Engineer been confined to coal?

A. Largely gold, silver, lead, zinc and copper. Very little coal work until the last 2½ years.

Q. But you have been giving some thought lately to the economics of the Canadian coal movement?

A. Not as a general thing. It is a matter so far of freight rates and markets and what you can do under existing conditions.

Q. I would like to call your attention to Item 4 - "Consideration should be given to the expansion of the Telkwa coal field so that coal for British Columbia use may be increased, and thus permit the shipment of more Alberta coal to eastern markets." Have you not turned that around a little? It seems to me you say in the body of the submission that Alberta coal should be sent east and that would take it away from the British Columbia market?

A. Yes.

Q. I was wondering if you had given thought to what is implied in sending coal to eastern Canada and displacing American coal there.

A. It is a matter in the ultimate of how much we want our exports and imports balanced. If we import coal from United States we have to pay them in American funds, and if we have free trade that might not be so serious. But if we have a high tariff set up in Canada, we might not be able to get funds.

Q. And have you not to approach it from one or other of those positions. Are we going to operate under a high tariff, or not?

A. I believe in a world of free trade.

BY COMMISSIONER McLAURIN - Mr. Richmond has not qualified as an economist.

BY MR. FRAWLEY - That is why I asked him if he had given thought to this coal economy.

BY COMMISSIONER McLAURIN - As a Consulting Engineer?

BY MR. FRAWLEY - The economy of any mine governs the operations.

BY COMMISSIONER McLAURIN - I am inclined to agree with you, but when we want it on the record we have to get someone qualified as an economist.

BY MR. FRAWLEY - We have to do that out of this witness box, and Mr. Richmond looked to me as one who has given some thought to this.

A. I think we will all give thought to what will happen in the post war world.

Q. That is the heart of our problem.

A. It is a matter of whether we want to be self-contained, which in the past seems to have been a very tragic course to take.

Q. Economic nationalism.

BY THE CHAIRMAN - Do they help you out with Government expenditure?

A. The Government gave us a gift of the diamond drilling to the extent of about \$10,000, and have made us a small loan.

Q. No subventions?

A. No. Certain concessions made as to taxation and depreciation allowance which govern the operation and were quite a big help to us. They were primarily interested in getting military coal at a time when it was difficult to get, and although we did not supply a lot of coal, what we supplied did save the hauling of a lot of fuel from points as far east as Duluth, and every little helps when you need a lot of coal.

S.

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E. Roland Gilley

E. ROLAND GILLEY takes the stand. Exd. by Mr. Frawley

Q. You are associated with Evans, Coleman & Evans in Vancouver?

A. Right.

Q. What is the business of Evans, Coleman & Evans?

A. Coal Dealers among other things. General merchandise, pig iron, coke, smelter supplies.

Q. Building supplies, and pig iron?

A. Yes.

Q. And coal?

A. Yes.

Q. What is your association with that company?

A. Assistant General Manager.

Q. And you have a statement to make particularly in connection with the relationship existing between your company and the Canadian Collieries (Dunsmuir) Limited?

A. The general statement, Sir, is on Distribution and Marketing of coal. The arrangement with the Canadian Collieries is subsequent to that.

Q. That is separate?

A. Yes.

Q. Virtually you are making two submissions, in a sense?

A. That is right.

Exhibit No. 106 - Brief submitted by Evans,
Coleman & Evans Ltd. and
Associated Companies.

Q. Will you proceed then to read your submission Mr. Gilley.

MR. GILLEY then reads Exhibit 106, as follows:

"Evans, Coleman and Evans, Limited, have continuously carried on a wholesale and retail Coal business in Vancouver for over fifty years. Associated Companies have also served Vancouver, New Westminster and North Vancouver for many years. From the experience gained during this period we believe certain facts relating to distribution of coal should be given serious consideration.

We have always believed that coal is the best possible basic fuel for Industrial Plants, as well as for commercial and domestic heating, and this has been conceded during the emergency

of the past few years.

It has been demonstrated, however, that due to the many different types of coal burning equipment, and the various conditions under which they were operated, that it was not always possible to supply the particular kind or grade of coal which would give the most efficient results.

We therefore respectfully suggest that some form of co-ordinated research be carried out by the manufacturers of coal burning equipment and the producers of coal. Following those investigations proper recommendations could be made by the dealers for the consumer to secure efficiency and satisfaction. Coal consumers can generally be divided into two classes: first, those using automatic equipment, and, secondly, those using hand-firing. Coal for automatic equipment should be delivered to the dealer in standardized grades in order that the consumer could receive a continuous supply of consistently graded coal.

It would be of tremendous advantage if these smaller grades of coal could be treated to eliminate light dusting.

Lump coal is usually supplied for hand-firing, and this is the most unsatisfactory size of all coal. It is the most expensive size to handle, as it has to be broken up by hand in the dealers' yards: this not only requires unnecessary labor, but a percentage of the coal is broken into fine sizes which have to be re-screened. Extra time is required to weigh lump coal in sacks, which are then not only difficult to handle but hard on the swappers carrying them on their backs. The consumer also invariably has to break up the lumps before the coal can be used.

We would therefore respectfully suggest that, by whatever practical means can be evolved, an objective be set whereby all coal be prepared for this market by the producers to a maximum size of approximately 6 inches.

The largest single item of expense in distributing coal in the Greater Vancouver area is occasioned by the necessity of delivering coal in sacks. This not only applies to homes, but also to Federal, Provincial and Civic buildings, business blocks and apartments. Apart from the expense it is a waste of man power, and results in unpleasant working conditions. Dealers have recognized this situation for many years, and, although they have made great efforts to have it eliminated or cut down to a minimum, it is felt that the active support of the Governments and Producers is needed to assist them to reduce this cost. It is therefore necessary to have the consumer make provision for bulk deliveries of coal in new buildings, and, wherever possible, by reconstruction of present premises.

Every effort should also be made by all concerned in the coal industry to have the consumer accept delivery of his requirements during the Spring and Summer months. This would not only ensure him adequate supplies during the following Winter but would allow steadier employment to the Miners and Dealer employees.

During the many years it has been our privilege to serve the coal consumers of B. C. we have developed six coal handling plants in various sections of Vancouver, New Westminster and North Vancouver. With our present up-to-date water and rail facilities, and improved equipment which we are presently installing, we are prepared to play our part in continuing to serve the coal consuming public and the Coal Industry generally, in the best possible manner.

We appreciate the opportunity of submitting this Brief, and can assure you, Sir, and your colleagues, of our desire to assist you to the best of our experience and ability.

Respectfully submitted:

EVANS, COLEMAN & EVANS Ltd."

BY MR. FRAWLEY - And now Mr. Gilley, you are going to produce a letter dated March 26th, 1945?

A. Yes.

Q. Perhaps you will read the letter then?

Exhibit No. 107 - Letter from Evans, Coleman & Evals, Ltd., dated March 26/45

Mr. Gilley then reads Exhibit No. 107, as follows:

"It has been suggested that we file for your information our Agreement with the Wellington Comox Agency Limited and their Associated Companies, and we are therefore pleased to file herewith copy of this Agreement dated 9th day of May 1931.

We may say the prime objects of this Agreement were to provide storage space for the Colliery Company's coals and reduce the price to the public to the extent of \$1.00 a ton, which was done at this time, also to eliminate disputes relative to the quantities of fines in lump coal. Under this Agreement the responsibility for grading is with the Producers and the Associated Companies as so referred to pay for the coal only after it has been properly graded.

The Companies mentioned in the Agreement are all located on the waterfront, having bunkers and cranes for the discharge and handling of coal.

Under the Agreement the Producers reserve the right to sell direct, and do so, to many large consumers where seow and rail delivery can be made. On some large contracts where bundering and haulage is necessary, this is carried out by leased yards at a nominal rate.

You will probably note in the contract that it does not preclude us from getting other coals, and this provision has been very necessary in view of the fact that the Wellington Comox Agency have been unable to keep us supplied. We have had to buy large quantities of coal from others.

We also enclose plans of the areas mentioned in the Agreement.

(sgd) EVANS, COLEMAN & EVANS, LTD."

Exhibit No. 108 - Agreement between Wellington-Comox Agency Ltd., Canadian Collieries (Dunsmuir) Ltd., and Western Fuel Corporation of Canada Ltd., and Evans, Coleman & Evans Ltd., Gilley Bros. Ltd., and Deither's Ltd., dated May 9th, 1931. also some plans attached.

BY MR. FRAWLEY to Witness

Q. Were these plans made part of the agreement?

A. Yes.

Q. The plans were exhibited to the agreement when it was originally executed?

A. That is right.

MR. E. ROLAND GILLEY sworn as to facts. Exd. by Mr. Frawley

Q. What do you mean when you say you have to deliver coal in sacks to a building like the City Hall?

A. Just that so many of our buildings have no facilities for taking coal in bulk. It has to be sacked to get it into the storage place provided in the building.

Q. Don't you have coal shutes running off the lane?

A. There are in some buildings, but there are many others without them.

Q. And you say Federal, Provincial and Civic Buildings. Take the new City Hall in Vancouver.

A. A good many of the newer buildings have the shute.

Q. And you have to take coal into these big places in these 100 pound sacks?

A. Right. All coal in Vancouver has to be exactly 100 lbs.

Q. You take it in and dump it in the bin, and then another one?

A. Yes.

Q. And in that way deliver a man 20 or 25 tons?

A. Yes, where storage will take that much.

Q. How long would it take to make delivery?

A. It is according to the conditions and the length of pack.

Some are particularly awkward, you either go up or down stairs.

Q. You say in your first submission, Exhibit 106, that you have

developed this coal handling, these coal handling plants, in various sections of Vancouver. Were those done under the terms of the Agreement, Exhibit 108?

A. No, they were in existence before the Agreement.

Q. What is the particular meaning of the words "coal handling plants"?

A. We have the docks, derricks, storage sheds, and various types of equipment that we use for handling the coal in these various plants.

Q. Screening equipment?

A. Some.

Q. Oil treating equipment?

A. We have no oil treating at the present time.

Q. As a distributor you don't bring in a mine-run coal and separate it and screen it in these coal handling plants of yours?

A. Not as such. Our idea is to secure the best grade of coals we can, but even at that we have to re-handle and re-screen some of it. It all depends on the type of coal available at the time.

Q. The Agreement dated 9th May, 1931, is between Wellington-Comox Agency Limited, of the first part, Canadian Collieries (Dunsmuir) Ltd. - (I am told that that is now Vancouver Island Coals, that is the Wellington-Comox)?

A. Yes.

Q. So we can forget about Wellington-Comox Agency Limited. That has disappeared and is replaced by Vancouver Island Coals?

A. Yes.

Q. Then, of the Second Part, Canadian Collieries (Dunsmuir) Limited, and Western Fuel Corporation of Canada - (For all practical purposes that is Canadian Collieries)?

A. Yes.

Q. And Evans, Coleman & Evans Limited, Gilley Brothers Ltd., / McCleery & Weston Ltd. and Deithor's Limited. What is the relationship between these companies, Gilley Brothers, McCleery & Weston and Deithor's Ltd., what relationship do they bear to Evans, Coleman & Evans?

A. There is a holding company of Evans, Coleman & Evans and Gilloy Brothers Ltd.

Q. That is a corporation?

A. Yes, and a holding company.

Q. And by virtue of its holding, what does it control?

A. All the companies named.

Q. Evans, Coleman & Evans Ltd., Gilley Bros. Ltd., McCleery & Weston Ltd., and Deither's Ltd.?

A. Right.

Q. But Evans, Coleman & Evans and Gilley Brothers is not an operating company?

A. No.

Q. So these four companies are all one as far as management and policy is concerned?

A. As far as policy is concerned.

Q. Would you mind telling the Commissioners just what is the substance of that Agreement. Why was it entered into, and what does it do; what was the cause of it, what led up to it, and how does it operate?

A. The reason the Agreement was entered into was that at that time, in 1931, the coal business was in one of its difficult periods. It had many of them. It was a question of securing more tonnage, more business. And after considerable discussion it was felt that if coal could be reduced in price, that it would be an inducement to bigger consumption. That was one point. The second point was, Canadian Collieries felt that they should have more control over the distribution of their coal, and therefore approached us regarding, first, the storage space, and secondly, the handling of the coal once it was put in storage. After the Agreement was entered into it allowed them to operate their mines according to their own schedules. They could use the storage space available whenever and as they saw fit. Coal was reduced \$1.00 a ton, and the Agreement has been operating ever since.

Q. When you say Canadian Collieries could use those storage facilities, you mean the facilities supplied by these companies?

A. Yes.

Q. It became their storage for all practical purposes?

A. Yes. Before that all dealers could take coal in or not just as they wished, and then it was a matter of financing as well. To put in a storage of ten thousand tons would take considerable financing by any dealer, and the merchants at that time, in fact at any time, did not want any dealer putting in a large stock of coal out here.

Q. At whose expense is the coal put on the docks in these four companies?

A. That is the Colliery Company's expense.

Q. It is really their coal until what point?

A. Until it goes on the truck.

Q. For delivery to the customer?

A. That is right.

Q. How were you able to reduce the price \$1.00 per ton? How did that come about at that time?

A. I think probably on the ability of the Canadian Collieries to put it through with us.

Q. To put what through, Mr. Gilley?

A. Well they were able to persuade us that it should be done.

Q. That the price should be down?

A. Yes.

BY COMMISSIONER MORRISON - Good salesmanship?

A. Yes.

BY MR. FRAWLEY - Was it a reduction in your spread, or in their price to you?

A. In our spread. We absorbed the whole dollar. I may say by way of explanation that they also took care of the fines in the coal. In other words, all coal that was delivered to us was delivered in a well graded form, whereas previously we had had to take care of that ourselves.

Q By the way, you probably know the spreads here off by heart. Would you just put into the record what the spreads are in this area?

A Well, I wouldn't want to put it in off by heart.

Q All right, I won't bother you. Would you perhaps file a supplementary memorandum? I don't think we need any cross-examination. I would just like to know so we could compare them with spreads in other areas.

A I can easily do that. If the information contained in the brief of the Greater Vancouver Fuel Dealers Association is not sufficient I will be very glad to.

Q Thank you very much. Now does your company--and I suppose I should refer to that as Evans, Coleman and Evans--does it wholesale as well as retail coal?

A That's right.

Q To whom does it wholesale coal?

A Well, to other dealers.

Q To all other dealers?

A And it depends on what is really meant by wholesale. We mean wholesale often when we supply industrial and large users.

Q Does your company wholesale in the sense of selling to retailers?

A A very small part of that, really for cases of possible emergency or just for certain types of coal that we might have.

Q But in the ordinary course of events can I say this, that neither Evans, Coleman and Evans, Gilley Brothers, McCleery & Weston nor Diethers Limited, wholesale in the sense of selling to retailers?

A Not as a matter of policy.

Q Perhaps I should have asked you, Evans, Coleman & Evans Ltd. is in the wholesale and retail coal business?

A That's right.

Q The same for McCleery & Weston?

W.

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E. Roland Gilley

A To a much smaller extent.

Q Mostly retail, are they?

A Practically all retail.

Q And Diethers Limited?

A The same thing. They are all much the same but the last two companies to a smaller extent than the others.

Q Gilley Brothers Ltd. is in the wholesale and retail coal business too?

A That's right.

Q And Evans, Coleman & Evans is perhaps the largest of the four?

A That's right.

Q Now then, does Evans, Coleman & Evans dispose of its coal generally to other dealers who are supplying the consumer direct?

A No.

Q If a retailer in Vancouver wished to sell to his customers Island coal, how could he obtain that coal for his business if he wanted to. say, set himself up in the business of retailing Island coal?

A If he had a licence he could buy either from the Canadian Collieries direct or from ourselves.

Q That is very fair. He could go to Canadian Collieries and make an arrangement whereby coal would be delivered to him direct from the mines to sell to his customers in Vancouver or elsewhere?

A That's right.

Q This agreement, Exhibit 108, doesn't in any way restrict that?

A No.

Q Doesn't confine the business to the four companies of the third part?

A That's right.

Q Then he could also go to one of the companies of the third part?

A That's right.

BY THE CHAIRMAN: Is there any evidence furnished as to whether or not Canadian Collieries do that?

BY MR. FRAWLEY: Perhaps Mr. Gilley is the man to say. Are there any retailers in Vancouver who are in direct business dealings with Canadian Collieries (Dunsmuir) Limited?

A I think there are.

Q We could ask their sales department to tell us that. If that retailer went to you what would be the arrangement you would make with him?

A Well, there is a recognized spread that we have for them.

Q And would that put him in a different position than it would say McCleery & Weston selling Island coal to consumers?

A No, he would sell at the same price.

Q And would his net position at the end of the transaction be the same?

A At the point the transaction is entered into it should be the same.

Q I am not sure I know what you mean.

A Well, from where it is loaded on the truck. If a dealer sent his truck into one of our yards, from the time that that coal was loaded on the truck he would have the same spread as any of the others.

BY THE CHAIRMAN: But he is paying more for the coal than you do?

A No, he would be paying the same.

BY MR. FRAWLEY: Perhaps if we used a figure it might make it clearer. Take any particular kind of coal and give us the price.

A Well, to my recollection, the sales price, supposing it is say \$12 a ton, and the dealer would buy that coal at the yard at \$12 less \$1.70 a ton.

Q Just any dealer, outside of this agreement altogether, would buy that coal at one of the yards of the four compan-

ies mentioned in the agreement at \$12 a ton less \$1.70?

A That is according to my recollection.

Q Then he would operate on a spread obviously of \$1.70?

A That's right.

Q Now then, if Diethers Ltd. was selling that same ton of coal to a consumer what would be Diethers' situation?

A The same spread.

BY THE CHAIRMAN: Then you don't make any profit on the coals that you sell to other dealers at all?

A Only what we get indirectly in the handling, up to that point. We have--at least I hope we have--a margin in our handling, and that is all we would get out of that.

BY MR. FRAWLEY: In your handling of the coal?

A Yes, from the time we received it until it was loaded on the truck.

Q And the handling consists of what?

A Unloading, storing, screening, sacking and loading on the truck.

Q And in that operation, which would be done entirely by you for all the Island coal, you say you hope you have a margin there?

A That's right. I would not guarantee that we have any right now, but I hope we have.

Q You say you should have?

A That's right.

BY COMMISSIONER MORRISON: Does Evans, Coleman & Evans, the parent company, do they charge commission to Diethers Ltd.?

A No, all this list mentioned deal direct with the Colliery Company.

BY MR. FRAWLEY: Is the handling charge which you get set out in the agreement, 108?

A That's right.

Q And there have been no amendments to the agreement since 1931? Are you operating on the same margin as you did in 1931?

A That's right, unfortunately.

BY THE CHAIRMAN: That is not so good for you?

A No, it is not.

BY COMMISSIONER MORRISON: Well, if the margin was enough in 1931 I suppose . . .

A Well, as a matter of fact the agreement was based on increased tonnage and we have had increased tonnage these last few years, and that is what has allowed us to get by.

Q There was somebody here the other day talking about coal distribution and he claimed certain dealers couldn't get coal. Now I suppose there are coal dealers--I don't know any coal dealers in Vancouver so I have nobody particular in mind--but I suppose there are coal dealers, if they phoned up your office you wouldn't supply to them for the very good reason that you didn't like their credit rating, is that right?

A Well, naturally, any time we secure an order the first place we go is to the credit department, and nothing is done with it until that is passed, and when that is passed, why then the sales department carry on.

BY MR. FRAWLEY: Now there was something else I omitted. A witness said--and I am sorry I can't tell you just who it was--said that Alberta coal came down here because there seemed to be some difficulty in getting Island coal. He left me with the impression that as a result of the arrangement made perhaps by this agreement that there seemed to be some difficulty in getting a free supply, a steady supply, of Island coal, and that that is why they went to Alberta and Alberta coal came in here because of that. Now I hope I am not overstating it. Do you subscribe to that?

A Not entirely. I think that the Alberta operators are a pretty smart group.

BY COMMISSIONER MORRISON: You can say that again.

A And when they wanted to sell coal in here they just came in and sold it under ordinary conditions prevailing and to the

best of their ability.

Q In other words, you think it was the operators came over here? The Vancouver coal dealers didn't go over to Alberta begging for coal and bringing it down here?

A I don't say they haven't done that. We have all done that, but not when it was first started. The operators in Alberta I think are a very smart group and they came in here and they sold their coal at a price over the Island coal and they created a certain demand for it, but there have been times when the Island mines could not supply the total requirements. One of the difficulties of the whole industry has been lack of continuity. The mines often would have coal and the market was limited, and at other times the market would be demanding certain types, probably, of coal, particularly from the Island, and they would not be available. This whole question of balancing your production in the various grades with the consumption is something that has given the whole industry tremendous concern.

BY COMMISSIONER MORRISON: It isn't as easy as it sounds?

A It isn't easy by any means, and it was one of the reasons that the collieries company were anxious to have storage facilities immediately at the consuming point, because very often, as they depend entirely on water transportation, there may be periods when it is difficult to bring the coal across, and if they had storage here why the colliery company not only had their coal in stock but it was here for the public.

Q The consumer got the benefit of it?

A The consumer got the benefit.

Q In fact it could be all sized up as a good closed-shop arrangement?

A I would say it was a good arrangement; I wouldn't say a closed shop.

Q I like a closed shop.

A I have no doubt, but the public like an open one.

BY MR. FRAWLEY: You do not subscribe to the statement that was made--and I wish I had the thing to read to you; it is the most satisfactory thing to do--but you do not subscribe to any suggestion that there was a non-availability of Island coal, as a result of the arrangement made between the operator and your companies, to the coal dealers here?

A I don't see how it could be, because there is nothing in our agreement that prevents anybody from buying from the colliery company direct. It is all set out there, and as a matter of fact they have done it, much to our displeasure at times.

Q Has there been any great volume of coal sold direct to dealers other than your group?

A Yes, there has been a good tonnage.

BY THE CHAIRMAN: You are not objecting, Mr. Frawley, are you, to Alberta coal coming in here?

BY MR. FRAWLEY: No, no. I just wanted to know whether or not it got down here under any strained situation.

THOMAS C. BOYD. Examined by Mr. Frawley.

Q You are connected with the Greater Vancouver Retail Fuel Dealers' Association, Mr. Boyd?

A I am president.

Q And you are going to submit this brief, which will be exhibit 109?

A Yes.

Exhibit 109 - Brief submitted on behalf of
Greater Vancouver Retail Fuel
Dealers' Association

MR. BOYD proceeds to read Exhibit 109:

This Association, representing nearly 100 per cent of the retail coal dealers in the Greater Vancouver area, wishes to place before the Commission its opinions and views relating to the retail coal business. A questionnaire was sent out to every member of the Association, and from the replies received the following information has been compiled.

Attached to this brief is a chart showing in tons of coal the retail sales in the Greater Vancouver Area for the years 1940 to 1944 inclusive. This gives a picture of the volume and monthly variations during the past five years.

It might be well to look at the trend of the fuel business farther back. According to the report of the late Honourable Justice M. A. Macdonald published in 1937, as the result of a British Columbia Coal Commission, we find (in table 8, page 13) that coal mined in British Columbia

in 1920 was 3,020,387 short tons

in 1936 was 1,508,047 short tons.

In 1943, 1,821,654 short tons were mined, of which 1,512,325 tons were sold from the mines according to information supplied by the Department of Mines, Victoria (see attached chart showing production of coal in British Columbia for the years 1919 to 1943 inclusive).

Vancouver retailers who have been in business some length of time have records that show a similar downward trend of retail coal sales. The decline continued after 1936, but more gradually, till late 1941 - or really till the effects of the war were felt.

Some of the reasons for this decline were:

1. SAWDUST

Sawdust began to be used as a household fuel in the 1920's. Volume was not so large till after 1930. Mills had not bothered to develop this source of revenue but with business activity on a downward trend they put in conveyors to save the sawdust previously destroyed, thus additional revenue was obtained, and the expense of refuse burning was eliminated. Sawdust was cheap and gained public acceptance as a fuel. In spite of fluctuating supply sawdust burners continued to be installed until in the late fall of 1941 it became apparent that the demand exceeded supply. At that time it was estimated that 65% of Vancouver homes were heated by either sawdust or millwood. In early 1942 many sawdust users switched to coal.

2. OIL

Oil has been used in Vancouver for quite a long time - especially the heavy fuel oil for larger buildings. The use of the lighter furnace (or diesel) oil for use in automatic burners for home heating began to increase around 1929. Development of dependable electrical ignition and proper thermostatic controls accelerated this trend. About 1935 furnace oil burners were being sold to the householder with a very small down payment and the balance spread over a five-year period. This also switched many more coal users over to oil. About 1932 stove oil burners were introduced here. They began to be sold in some volume from about 1934 right up to 1939.

In 1928 there were 235 oil installations using 6,029,000 gallons.

In 1941 there were 11,652 burners using 20,887,601 gallons.

These figures are for Vancouver and New Westminster, and are taken from statistics published by the Department of Mines and Resources, Ottawa.

As coal has replaced oil in most large buildings, and good stocks of coal are maintained, any sudden relaxation of restrictions of the burning of fuel oil might leave dealers with heavy commitments, therefore, at least six months' notice of any change in restrictions should be given to protect both mines and the dealers.

BY MR. FRAWLEY: Shouldn't you say, "As coal has replaced oil owing to the non-availability of oil during the war period"?

A That is right. (Continues brief):

In order to maintain the development of the country's coal resources it would seem that some limitations on the installation of oil burning equipment might be initiated, especially in Federal and public buildings.

BY THE CHAIRMAN: I suppose you don't know, Mr. Boyd, but were there many of the public buildings using them?

MR. BOYD: Some were, and some still are. (Continues brief):

3. ELECTRICITY

The utility companies were at this time also selling electric ranges and water heaters on extended terms. While we are unable to obtain the exact number installed, it was quite large.

4. GAS

Gas equipment was also available on long terms, and again we do not know how many users turned to gas, but from the report of the Macdonald Commission we find that the B. C. Electric purchased Vancouver Island coal for production of gas as follows:

1932 -	41,826	long tons
1933 -	56,559	" "
1934 -	60,892	" "

and for a period of 12 months in 1941-2 - 97,000 long tons.

It is obvious from these figures that the use of gas was increasing.

IT IS THUS APPARENT THAT FROM 1930 to 1940 EVERY FORM OF FUEL EXCEPT COAL INCREASED IN VOLUME OF SALES.

Has this trend been halted or only interrupted by the present war?

Sales for the Greater Vancouver Area in the years 1940 to 1944 were as follows:

<u>Year</u>	<u>Average Monthly</u>	<u>Total for Year</u>
1940	13,478	161,735
1941	13,617	163,407
1942	25,740	309,270
1943	47,111	565,338
1944	37,552	450,621

BY COMMISSIONER McLAURIN: What are those--tons?

MR. BOYD: Those are tons, yes. (Continues brief):

It is evident that there was a certain amount of extra buying in 1943, but it is the opinion of the trade that if restrictions remain on the use of fuel oil, gas and electri-

city, that sales during 1945 should average about 40,000 tons per month.

BY MR. FRAWLEY: "If restrictions remain?"

MR. BOYD: Restrictions on the use of oil and restrictions on the use of gas on account of use in war work.

BY MR. FRAWLEY: These wartime restrictions are what you mean?

MR. BOYD: Wartime restrictions. (Continues brief):

The large increase in volume of coal in this area commenced in December 1941 when many sawdust users were unable to obtain that fuel. They turned to coal.

The banning of oil for heating buildings and their forced conversion to coal accounted for another part of the increase.

Restriction on new installations for the use of gas and electricity were put into effect so that any new increase because of the greater industrial activity and influx of new residents (which resulted in a very large number of new homes) had to be taken up by coal.

During the early months of 1942 a severe cold spell took place which closed down many sawmills owing to ice conditions, resulting in a fuel shortage. The responsibility of taking care of the shortage of millwood and sawdust was almost entirely thrown onto the coal dealers. Rationing had to be put into effect on all fuel for the balance of the heating season.

In spite of all these adverse conditions the coal dealers accepted the responsibility placed upon them, and through their efforts prevented any real distress amongst consumers, proving that coal is the real old standby when handled by experienced and responsible merchants.

Consumers apparently learned the necessity of spring and summer stocking of coal, and it will be noted from the chart that summer sales during 1942 were higher than for any month of 1941, and reached an all-time high during 1943.

Prior to 1942 consumers would not buy coal during the non-heating months with the result that practically all coal sales took place in the fall and winter, leaving nearly six barren months in each year. As a result coal dealers had to look to other sources of revenue to keep out of bankruptcy. Some managed to make contracts for supplies of wood and sawdust, and some took on other lines, such as furnaces, furnace repairs, stokers, sawdust burners, oil burners, fuel oil, building materials, and fertilizers. If they had not done so there would have been very few coal dealers in existence by 1940. Retailing coal exclusively was not a profitable business until 1942. With around 40,000 tons per month business could be carried on satisfactorily, and it is anticipated that as long as restrictions remain, particularly on the use of fuel oil, and present margins are maintained, then dealers can continue to operate on a satisfactory basis. However, retail dealers must look further ahead than the duration of the war if they are to remain in the retail coal business.

All are aware that retail selling prices of coal were frozen along with other commodities, and that the costs of carrying on business have increased. Wages now paid by the retail coal trade are the highest in its history, yet labor available is much less efficient. Handling coal is a hard occupation, and in order to encourage any men to prepare and deliver coal into consumers' basements higher wages have had to be paid. Pre-war wages for yard labor were from 40¢ to 50¢ an hour, compared to 55¢ to 65¢ at the present time.

I should say here that all those wages are set by the Regional War Labor Board. We had to apply for those increases before we obtained them. (Continues brief):

Truck drivers' wages used to be 50¢ an hour and are now 65¢ to 75¢ an hour. Contract sacking of coal was 35¢ to 40¢ a ton, whereas contract sacking now is 50¢ a ton. Present earnings by coal laborers are from 25% to 45% higher than in pre-war days.

The Greater Vancouver Area has peculiar problems connected with the delivery of coal to consumers. Practically 95% of the coal delivered to consumers in this Area must be sacked, trucked and then carried into the basement from the lane or street, the length of pack being around 70 feet. Deliveries in sacks must also be made in many cases to business blocks on account of the lack of proper receiving facilities. In some sections of the City many deliveries have to be made up one and two flights of stairs. If coal could be delivered in bulk, loaded from a bunker, many more tons could be delivered in the same time that it now takes to deliver one ton of coal in the Vancouver Area. Time spent in sacking and taking coal into basements is an added cost of the Greater Vancouver retailer.

On the other hand, dealers' gross margins have remained stationary, or have been reduced. The average spread between cost of coal and retail price allowed dealers in the Vancouver Area is as undernoted, and for comparative purposes, the spread received by the dealers in the City of Winnipeg is shown:

<u>Gross Spread</u>	<u>Lump</u>	<u>Egg</u>	<u>Nut</u>	<u>Stoker</u>
<u>Vancouver</u>				
Average	3.25	3.00	2.90	2.70 - 2.90
(95% of deliveries made in sacks and carried into basements).				
<u>Winnipeg</u>				
Alta. Coals	3.25	3.25	3.00 - 3.25	3.00
(50% of coal delivered in sacks to coal chutes - balance bulk to chutes).				

BY THE CHAIRMAN: What do you mean by the spread allowed coal dealers?

MR. BOYD: That is set by the Fuel Controller.

BY COMMISSIONER MORRISON: Is that the gentleman who was here yesterday?

MR. BOYD: No. Tom Marshall is the representative here.

BY COMMISSIONER MORRISON: Oh yes, Ottawa?

A Yes. Those are the spreads we have been allowed under the new set-up.

Q How do they compare with spreads you had prior to Mr. Marshall?

A As we suggested there, some of those have been reduced. On the whole there is a percentage reduction on the pre-war spread.

Q I note later on you talk of excess profits. I was just wondering how you reconcile the two?

A That is something new to us. (Continues brief):

These figures show that Winnipeg dealers have a larger gross spread, yet sacked coal is only 50% of deliveries. Driveways or spaces are generally provided to allow close access to basements, and generally speaking, coal is dumped from sacks into a coal chute, and not carried into the basement as must be done in Vancouver. Further, the average haul in Vancouver is longer than in the City of Winnipeg.

BY COMMISSIONER MORRISON: You might get an argument from Winnipeg.

MR. BOYD: Well, they say that Vancouver covers the area of Paris. (Continues brief):

. . . longer than in the City of Winnipeg, our City being scattered over a larger area. We are advised that Vancouver dealers' yard labor and trucking rates are about 25% higher than the rates prevailing in Winnipeg.

BY COMMISSIONER MORRISON: Who advised you about that?

MR. BOYD: We have figures obtained from Winnipeg retail dealers. (Continues brief):

It will be readily seen that the Greater Vancouver dealers have to do a lot more work in the delivery of coal than dealers in other cities. We wish to repeat that sacking, loading on trucks and packing into the basements is much more expensive than delivering the same quantity of bulk coal dumped into a basement through a coal chute.

BY THE CHAIRMAN: The spread was fixed in Winnipeg also, I presume?

A By the Fuel Controller, I presume.

Q Is there any reason why there should be a difference?

A I presume the Coal Controller took into consideration conditions existing at the time of his inquiry before he set the prices.

Q Would that be the difficulty in getting coal, or something like that? As an ordinary man I can't see that.

BY MR. FRAWLEY: Perhaps he was thinking of the snow they have to contend with in Winnipeg.

A No more difficult. I would suggest that there is an amount of American coal coming into Winnipeg and Americans do get a much larger margin on their coal than we do.

BY COMMISSIONER MORRISON: But these are retailers.

A I know, but I should think that that practice is carried through, because the American distributor would then set his price to the Winnipeg retailer.

Q Don't you think the reason advanced by Mr. Frawley is the right one--more snow to contend with, trucks freezing up, more difficult conditions to contend with?

A Well, I know conditions in Winnipeg and I know conditions here, and I would just as soon ---

Q Wouldn't you say, though, if you were driving a truck you would be entitled to a little more in the City of Winnipeg than the City of Vancouver?

A No, I would not. I would want more to deliver in the City of Vancouver than in the City of Winnipeg.

A All right, you're the dealer.

BY THE CHAIRMAN: I think you are right, unless you have the same conditions of sacking coals in Winnipeg as you have here.

A Of course there is much less sacking done in Winnipeg, and we have rainy weather, most difficult conditions in the wintertime when you have men going out in a blinding rain storm.

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BY COMMISSIONER MORRISON: I am glad to hear a citizen of

Vancouver admit that, because I have not met many of them.

BY COMMISSIONER McLAURIN: They call them fogs.

BY THE CHAIRMAN: I suppose the Coal Controller who fixed those prices has never said why?

MR. BOYD: The Coal Controller has been very sympathetic. His representative here has gone into the matter and discussed that with us. (Continues brief):

With the war's end and other fuels coming into the market again, tonnage is bound to decrease. On a decreased volume, some readjustment must be made if the retail distributor is to survive. Either prices must be increased or costs of handling decreased - or possibly both.

Delivery costs are irreducible, as customers expect fuel to be delivered into their basements, and as this has become standard practice, there is little or nothing the dealer can do to rectify this.

I should say that we as an Association have sent out leaflets to all the new homes urging that they put in coal chutes, but I am sorry to say that the results have not been good. (Continues brief):

Wages cannot be lowered and still maintain a reasonable standard of living for the men engaged in handling coal. Overhead expenses which have been reduced by the present large volume will increase when volume declines.

One solution is improved methods of handling coal. Under the present taxation system dealers cannot go ahead and modernize their plants to any degree. This is especially true of the Greater Vancouver dealers as in a majority of cases nearly all the capital available is now tied up in stock and equipment, and net profits after taxation do not permit dealers to do much in the way of improvements. Bunkers, machinery, etc., for the more efficient handling of coal in the yards would require new capital which cannot be tempted into the business owing to records of earnings. Funds would be tied

up indefinitely, and it is doubted if a public or a private appeal for new capital would therefore be entertained. Not profits before taxation is the only possible source from which money could possibly be obtained for new working capital.

The coal business has been classified as essential business for the prosecution of the war yet has not been granted the privileges that other essential industries enjoy, namely, accelerated depreciation.

Dealers feel that a plan could be readily worked out whereby the Dominion Government would permit the coal dealers to use a specified percentage of their net profits before taxation for the specific purpose of putting in plant improvements in their coal yards for the more economical handling of coal, the amount to be applied for to be based on a certain percentage of the previous year's profits.

In no other way can the average retail coal dealer hope to modernize his plant under the present heavy income taxes. Dealers cannot afford to wait till a decrease in coal sales takes place. Some definite plan should be undertaken now.

As present freight rates were set up when tonnage was on a decidedly lower volume, the Commission should investigate the matter of reducing these rates. Freight constitutes a goodly portion of the cost of coal.

Generally speaking there has been little or no improvement made by manufacturers of the ordinary household coal burning furnaces, compared to the advancement made in the construction of oil furnaces and coal stokers. The majority of homes are heated with ordinary hand fed furnaces. In view of the large undeveloped coal resources of Western Canada, we believe that the Dominion Government should set up a research council to work with the coal industry and the manufacturers of coal furnaces to develop more efficient coal burning equipment.

This Association is of the opinion that the Commission should recommend to the Wartime Prices and Trade Board, the

British Columbia Coal and Petroleum Control Board, city and municipal governments, that no new retail coal dealers' licenses be issued unless the applicant has all the necessary equipment, such as an office, coal sheds, scales, trucks, etc., and that it is shown that it is in the public interest to grant the applicant a license. A license should not be granted to an applicant without proper facilities to efficiently serve the public the year round.

The special attention of the Commission is drawn to the fact that crude oil is imported into Canada duty free. From this crude, fuel oil is obtained which is subject to Provincial tax of one-half cent per gallon, but there is not a direct Dominion tax. Importers can bring in crude oil which produces greater or lesser quantities of fuel oil, according to the demand. These importations are in direct competition with the production and use of one of our best natural resources, namely coal, and a tax on fuel oil would appear to be a reasonable request which would give some measure of protection to coal.

It is absolutely necessary that consumers be made conscious of the necessity of stocking a large portion of their winter's supply of coal during the spring and summer months. If consumers did this, the coal mines could operate continuously and economically, the miners rely on year round employment, and distributors could carry on without the need of other lines. However, dealers' ability to bring this about is limited, and to be properly done a spring-summer stocking campaign must be undertaken on a Dominion-wide scale.

BY COMMISSIONER McLAURIN: There is a Customs duty on fuel oil.

BY MR. FRAWLEY: There is in 1945 apparently a Customs duty of 17 $\frac{1}{2}$ ¢ a barrel.

BY COMMISSIONER McLAURIN: The third paragraph on page 9 then is not correct. It says there is no Dominion tax.

BY MR. FRAWLEY: He says there is no direct tax. There

is a Customs tax.

MR. BOYD continues brief:

SUMMARY

We hope that we have been able to convey to the Commission some idea of the position of the retail coal trade. Therefore the Greater Vancouver retail dealers recommend for the consideration of the Royal Commission on Coal:

1. That some manner of government assistance should be undertaken in an effort to maintain as much of the present level of sales as possible after cessation of hostilities.
2. The Government should continue its policy of urging consumers to stock coal during the summer months.
3. That the Dominion Government consider placing a limitation upon the installation of fuel oil burning equipment or in lieu of that, that imports of crude oil be subject to taxation or if crude oil be continued on the free list that the resulting fuel oil be subject to a federal tax.
4. That in making any adjustment in the price of coal due consideration be made of the fact that the Greater Vancouver Area has peculiar delivery problems all its own calling for higher delivery costs than in any other area of the Dominion.
5. That the Commission recommend to the Dominion Government it modify its taxation policy to an extent that legitimate coal dealers be permitted to use a certain portion of their taxable profits for the specific purpose of improving their handling facilities.
6. That the Commission investigate the freight rates on coal now in force and which were put into effect when the volume was on a decidedly lower scale.
7. That the Commission recommend to the Wartime Prices and Trade Board, the British Columbia Coal and Petroleum Control Board, and municipal governments that no new dealers' licenses should be issued without full investigation as to the qualification of the applicant.

8. That the Dominion Government instruct its technical experts to set up a Research Council to work with producers and manufacturers to look into the best methods of manufacturing more efficient heating units, particularly the ordinary hand fed coal furnaces.

BY THE CHAIRMAN: In regard to No. 6, freight rates now in force--that would be freight rates from?

MR. BOYD: Largely from Alberta.

WITNESS sworn by Chairman. Examined by Mr. Frawley.

Q When you are talking about spreads on page 6, the average spread between the cost of coal and the retail price, where do you buy the coal?

A At the mine.

Q How many kinds of coal are there? I am speaking about British Columbia coal.

A British Columbia coal of course can be bought from the inland mines and from Vancouver Island. From Vancouver Island it can be bought either in carloads or in scows.

Q Just dealing with the kinds of Island coal. You are a dealer?

A Yes.

Q What is the name of your company?

A City Coal Company, Limited.

Q You sell Island coal?

A We do not.

Q Why do you not sell Island coal?

A We have had as our policy the selling of Alberta coal and have continued to get satisfaction from Alberta coals.

Q Is the sale of Island coal very general or it is in the hands of certain people?

A Oh no, the Island coals are sold by I should say 60% of dealers.

Q So there are only 40% in your class that are selling Alberta coal entirely?

A About that.

Q So you can't tell us about the spread between the Island coal?

A Not familiar with it.

BY THE CHAIRMAN:

Q Do you represent the last man who gave evidence here, his company?

A Yes sir.

Q Do you represent all the coal dealers?

A Practically 100% of the coal dealers.

BY MR. FRAWLEY: Mr. Gilley who gave evidence, they belong to your Association?

A They are a member of our Association.

Q You would rather not speak about the matter of spread on Island coal?

A Rather not.

Q How does City Coal Company buy Alberta coal?

A At the mine.

Q It is your coal from the time it moves from the mine?

A That's right.

Q The operator, the supplier of your coal, doesn't have any distributing facilities in this area at all?

A None at all.

Q Do you buy from several Alberta mines or one?

A Several.

Q And you go in there and buy the coal and bring it in and handle it yourself?

A Pay the freight.

Q So in your case the spread is between, I suppose, the delivered price in Vancouver and the retail price?

A The coal on the track as it comes in.

Q And you get the spread of \$3.25 from that price to the delivered price in the basement?

A That's right.

Q You speak about a need for a Research Council to work on the manufacture of coal furnaces. Do you know that the

bituminous companies in the United States are doing just that very thing?

A Yes sir, we do. We have been watching with interest their reports.

Q And the smokeless stove they have in Pittsburg? Have you been talking to your suppliers in Alberta along that line?

A Frankly, Mr. Frawley, we have been so busy selling coal we have not had a great deal of time to discuss that matter. We have been glad to accept any kind of coal we could get.

Q But you are making suggestions for post-war? You are suggesting there should be some more intelligent use of bituminous coal?

A We have done all in our power to educate the public. The British Columbia and Dominion Government also have issued leaflets which we have gladly, as an Association, distributed to our coal users.

Q Do you know that the Canadian producers of bituminous coal can join that Bituminous Coal Research Institute in Pittsburg by simply paying for membership and paying some dues?

A I hope you will suggest that to the producers.

Q You perhaps have not any first-hand information about that?

A We as retail dealers contacting the public will certainly give all the information we can to the coal mine operators as to what the public is demanding.

Q Well, I suggest that it would be a practical sort of missionary work if you put a little pressure on your suppliers to find out what is going on in connection with, that is just one particular thing, that smokeless stove that they have in Pittsburg.

A A very good suggestion.

Q You suggest a tax on fuel oil as being a reasonable thing. Is your company engaged in the sale of fuel oil here as well as coal?

A Not at all; just coal.

Q But I suppose it is true that if the British Columbia Government--you are speaking of a Provincial tax, I presume?

A That's right.

Q If the Provincial tax on fuel oil was at all considerable don't you think that the consumers of fuel oil would go elsewhere to buy fuel oil?

A That would depend on the price of fuel oil after the war. So far as our competition goes at the present time, those who have changed from fuel oil to coal, in a number of cases they have said they will change back to oil, but also in a number of cases they have said they are satisfied with their coal costs, and we feel that we can do a better job after the war so far as coal costs are concerned, in the matter of efficiency, better screening and so on, and we do hope we will retain quite a number of the fuel oil users.

Q But at the same time you do contemplate there may be some loss of business, so you feel you should be protected against this fuel oil?

A That's right.

Q But I point out that if to give you that protection the price of fuel oil is increased very much the business will not remain in this area at all; it will go to California?

A I don't think so. There is a limit, of course, to any increase, but a small increase that will turn the balance in our favor is what we are after.

Q If it is very finely gauged?

A Just as much as it will bear.

Q That may not be sufficient to give the business to coal?

A That being so of course we can't complain.

Q Because you do realize, I suppose, that as soon as you start manipulating that price of fuel oil upwards then you are immediately exposing yourself to the danger of having California fuel oil come into this area?

A Yes, but we do think that the Dominion Government, with coal resources such as we have, should do all in its power

to make for the development of those resources, even to the point of making it difficult for some users of fuel oil to continue.

Q I quite agree with you if the Dominion Government put an import tax on this fuel oil high enough to keep it out, then you would have this field to yourself, but unless they went that far the fuel oil would come in against you?

A To some extent, yes.

Q Do you suggest as a dealer in coal that an import duty should be put on there high enough to effectively keep out the California fuel oil?

A From strictly a selfish point of view, yes.

Q Now subject to what Mr. Commissioner McLaurin may think about your qualification to answer this question, what do you think about it from the standpoint of the good of Canada?

A Well, I do think that Canada has suffered from lack of paying attention to a matter such as that. We could have many more of a population in British Columbia if we had continued to use coal instead of using oil, and I question very much if the importation of fuel oil to the extent it has been imported has helped British Columbia.

Q Suppose there had never been a barrel of fuel oil come in and that the coal mines of British Columbia were called upon to supply the whole thing, do you think they could have done it satisfactorily?

A I think so.

Q Of course you are selling Alberta coal. Probably the Alberta coal and the British Columbia coal might have satisfied the market. It is very doubtful whether the Island coal could have done the whole job?

A Oh, I think they could. They still have reserves, I am sure.

Q That doesn't seem to be the way they put their own case, of course. Is wood a factor here in the market? Not sawdust but wood itself?

A Wood is a factor, yes.

Q You say it is not any problem here?

A It is a factor, oh yes. Wood and sawdust have been factors and may continue to be after the war.

BY COMMISSIONER MORRISON: Do you handle Newcastle coal?

A No, we do not. We handle Drumheller coals.

Q It is a Drumheller coal. Do you handle Midland coal?

A Yes, I know the coal.

Q Can you buy that direct from the mine?

A We buy it through Coal Sellers when we do buy it.

Q Which is not buying it direct from the mine?

A Well, the coal is shipped direct from the mine.

Q Buying and shipping are two different matters. I was quite interested when you told Mr. Frawley there was no middle-man in Alberta, that you bought direct from the mine. I know Alberta pretty well; I live there. I was wondering if some of the mines had changed their policy.

A The bulk of our coal we do buy direct from the mine--Monarch.

Q It is very good coal, isn't it?

A It is.

T. J. WINRAM. Examined by Mr. Frawley.

Q You are a director of Watkins-Winram Limited, fuel dealers, of Vancouver?

A Yes sir.

Q And this is your brief?

A Yes sir.

Exhibit 110 - Brief submitted by Watkins-Winram Limited, Fuel Dealers, Vancouver, B.C.

MR. WINRAM: Before I start to read the brief, I have been listening for the past two days to the evidence and hearing large volumes of coal talked about, in millions of millions of tons and hundreds of millions, and occasionally we got down to trifling hundreds of thousands, and it has made me feel very insignificant here with the small amount of fuel that we handle. Our firm deals simply with supplying the odd

one ton and sometimes a half-ton to Mr. and Mrs. John Citizen of Vancouver.

BY COMMISSIONER MORRISON: Of course you should have listened more attentively. You should have differentiated between the possible, probable and actual.

MR. WINRAM: The ones we send are actual, and it is with the background of serving the householder and small consumer that I speak. We have nothing to do with industrial or railways.

BY COMMISSIONER MORRISON: At a profit, I hope?

MR. WINRAM: Not always. Over the past 10 years it has been at a loss in the coal department. I can prove that statement if you wish. (Reads Brief, Exhibit 110):

The Commission is no doubt well aware that the tonnage of coal mined and used had been gradually declining in pre-war years, also of the fact that during the past few years coal consumption has greatly increased. Evidence has been or will be submitted as to some of the reasons for these conditions in the Vancouver area.

The firm of which I am a member has been in the retail fuel distributing business in Vancouver for over thirty years and when I first came into the firm, coal was the only product handled. Shortly after 1930 sawdust and wood fuel were added. In 1933 we started handling furnace oil, and in 1934, stove oil. Thus I believe we have had a fairly representative picture of the fuel business in this area. A very large percentage of our total volume is coal and since the effects of the war began to be felt, coal has greatly increased its percentage of our total business.

I do not believe that the present high tonnage of coal will be maintained in the years immediately after the war in this area.

Some conditions that will help coal to retain its volume of sales are:

- (1) → continued and possibly rapid growth of the population on the coast.

- (2) Wood and sawdust by-products from the lumber industry, now used as fuel, will be available in lesser quantities than at present. Fir logs produce the only sawdust that has received consumer acceptance as fuel and even now the percentage of fir to other wood species processed in our mills is less than it used to be. The trend of sawmill operation is away from the city to locations nearer the logging areas.

In any case I believe that, within ten years after the war's end, new uses will be developed for sawdust and other wood waste which will give a greater return both to the sawmills and the community. As a cheap source of basic raw material for further processing and manufacture wood wastes have great potentialities.

- (3) The possible development of more efficient coal utilizing equipment, both as regards automatic feeding of fuel, disposal of the resulting ash or clinker, and the greater recovery or utilization of the heat and energy resulting from combustion.

With reference to the above, it may be stated that other forms of fuel, gas, oil, electricity, have made great progress in the last two decades, in the modernization of equipment to promote consumer acceptance. Unfortunately both the producing and distributing branches of the coal industry have devoted themselves to promoting the use of a particular brand of coal or endeavoring to attract a larger share of available business to a particular firm rather than trying to develop new business for the industry or devising means of preventing a loss of consumers to competitive fuels. I do not know of any large scale research and development activities carried on, either by the industry as a whole or by any substantial group within the industry. Nor am I aware of a great deal being done by our universities or government research departments. Coal, as one of our basic natural resources, is

deserving of more attention from official quarters than, in my opinion, has been given.

With the exception of the mechanical stoker, still not perfected, there has been little change in methods of using coal in the past twenty years.

If, in the future, more efficient equipment for using coal is not developed, then the trend downward which was so apparent pre-war will be resumed and accentuated.

Factors which will tend to reduce the present high volume of coal sales are:

(1) THE USE OF OIL. There is some difference of opinion as to whether or not oil, because of world supply reserves, will be used as heating fuel. I am not competent to decide this point, but in Vancouver there has appeared advertising on the part of at least one oil company relating to heating the modern way in the post-war period - with oil. It would seem that this company feels that supplies will be available. If oil is available, I am convinced that most of the buildings that were forced to convert to coal by wartime regulations will reconvert to oil. Many building managers and apartment house owners have so expressed themselves in my presence.

Also a very large number of householders are prepared to put in oil burning equipment as soon as they can get it. My own firm has a list of such people, and this list has been compiled, not by solicitation, but simply from noting voluntary expressions of intention on the part of individuals. Some of these people are at present using stokers and wish to install a plant which will be fully automatic. Perhaps our citizens are becoming less industrious, but they certainly do not wish to chop wood and shovel coal if they have the means to pay for and can obtain equipment that will perform these chores.

(2) Cessation of the war will mean the abandonment of many military camps and installations that have been using

quite a quantity of coal. Also a slackening off of industrial activity - especially shipbuilding - will have at least a temporary and possibly to some extent permanent effect.

- (3) Utility companies will promote the sale of gas-using equipment, probably on reasonable credit terms.
- (4) Dealers in electric ranges and water heaters are looking forward to a relaxation of controls on these products. No doubt a good many householders will purchase this equipment when it becomes available.

These latter two items (3) and (4) will affect sales of nut and egg size coals, now used for cooking and in water heaters, much more than the sizes used for primary heating.

Oil in both stoves and furnaces will be the greatest threat to the continued high volume of coal sales in this area.

There have been some war developed inventions that may affect the entire fuel picture. Infra-red ray lamps for quick drying of paint on military equipment might be adapted to civilian use. Small compact heaters now used in bombing planes are an item of which we have heard much regarding their ability to produce heat, but nothing as to cost. Reverse refrigeration or using the heat of the atmosphere is something which has apparently been accomplished but whether on an economic basis as yet is questionable. These things are not immediate competition, but I believe it would be unwise to disregard them or dismiss their possibilities contemptuously.

I can reach no other conclusion than that coal tonnage used in this area in the immediate post-war years will be considerably less than at present.

If this conclusion is correct, then the retail dealer is certainly going to have a very difficult time.

Before quoting a few items of cost, I would like to explain that in our firm we try to keep track of the results of our operations in coal, wood and sawdust, and oil departments.

Items which are definitely a charge against a particular department are so charged - such as wages. A separate payroll is kept for each department. But the cost of running the office - telephones, office supplies, postage, advertising, office staff and executive salaries - can not be individually distinguished as chargeable to any one department. We therefore apportion to the various departments, on the basis of dollar volume and other factors, a percentage of these overhead costs. For the fiscal year ending February 29, 1940 the percentage charged to coal was 1/3 of the total expended by the company. For the fiscal years ending February 28, 1941, 1942, 1943 and 1944 coal was charged with only 30% of the total. If anything this has been giving our coal department a company subsidy from the other departments.

The principal increase in costs has been for labor. Older men of less physical stamina have taken the place of younger men, resulting in increased costs per ton. There is no reflection on the spirit or desire of these men to perform a day's work, but the simple fact is that the older men at present employed are physically unfit to do as much work as younger men. The youngest man in our coal yard is 44, and we have had men over seventy years of age. Much of our unloading and sacking has been done by part-time workers. These men usually put in from two to five hours. Starting after 4.30 P.M., they work in the early evenings. It has cost more than normal for coal handled by these men, but had it not been for them, nothing like the volume of coal could have been handled and many people, especially those who did not stock up in summer, would not have had coal when it was needed.

One of the reasons that retailers have managed to handle the increased volume of the past few years, with a resultant maximum use of delivery trucks and spreading of overhead cost over a twelve month active operation, has been that many consumers put in coal supplies in the spring and summer months.

If, after the war, consumers revert to their pre-war buying habits and dealers have to handle 80% of the annual fuel requirements in the six months from October to March, then dealers will not be able to exist on present working margins.

BY THE CHAIRMAN: How does your coal here keep when stored in the spring in an apartment or a house? Doesn't it deteriorate?

MR. WINRAM: Not to any extent, sir. Of course on your stoker coals there is no deterioration, and on your lump coals our temperature is not so trying as in some other sections of Canada. We don't get the intense heat. I think the weather man would give you figures that would indicate there is a greater percentage of moisture in our air; even in summer time. We get a great deal more in winter, of course. But stored in an ordinary basement the deterioration is not very great, and especially in a household where they probably use 10 tons, not more, the deterioration is certainly nothing comparable as if it is stored in a dealer's yard in the open.

BY THE CHAIRMAN: I am not so sure about that.

MR. WINRAM: I know we have not had complaints. We get them about everything they can complain about but that has not been one of them. Of course there are different types of coal. (Continues brief):

We contract for delivery of coal on a per ton basis. One contractor supplies the trucks to handle the majority, but in rush periods it is necessary to bring in extra truckers. Our contract rates for coal delivery have risen from \$1.00 in 1939 to \$1.20 at present. Extra trucks hired in rush periods cost \$1.25 - or more - depending on weather conditions and how badly they are needed. If snow is on the ground they generally get more or do not work.

We have been able, because of larger volume, to reduce our overhead costs.

The following table will illustrate changes in some cost items. Our fiscal year is from March 1st to February 28th,

and these figures are arrived at by dividing the total tonnage sold during the period into the total amount of money paid out for each item during the same period.

	Mar. 1/39 to <u>Feb. 29/40</u>	Mar. 1/40 to <u>Feb. 28/41</u>	Mar. 1/41 to <u>Feb. 28/42</u>
Wages in yard	\$.5687	\$.6297	\$.9556
Rent	,1677	.1614	.1814
Salaries (office staff)	.1970	.2206	.2857
Executive	.4071	.3281	.1617

	Mar. 1/42 to <u>Feb. 28/43</u>	Mar. 1/43 to <u>Feb. 29/44</u>
Wages in yard	\$.9347	\$ 1.1008
Rent	.0618	.0398
Salaries (office staff)	.1420	.1384
Executive	.0593	.0429

You see that the costs of labor have risen considerably, but other costs are down.

In the post-war period coal dealers will no doubt be able to obtain men who are better able to handle the heavy physical work necessary and thus labor costs per ton could be reduced to some extent. But basic hourly rates (40¢ per hour in 1938 and 57¢ per hour in 1944) have increased over 40%. There are some differences within the trade as to wage rates, but in no cases are dealers paying the same as a few years ago.

While the 40¢ rate in 1938 was very low, the retailers' margin simply did not allow payment of greater amounts. Even the present rates are below those that are being paid by our City for labor and much below the better than 80¢ per hour being paid for certain government contracts or military or naval works.

We do not believe that wage rates can be or should be reduced in the post-war period. The men engaged in this class of work really earn their money and are entitled to at least

as much as is being paid for similar types of labor in other lines, but the retail coal dealer will have to reduce his yard handling costs materially or increase the selling price if he is to continue distributing coal.

Offsetting any saving that may be made because of more efficient yard labor will be the fact that, with reduced tonnage, overhead costs such as rent, insurance and administrative expenses will be bound to go up on a per ton basis. Dealers will be fortunate if these increases do not more than offset the savings made because of more efficient help in the yards.

The increased use of stokers is something which, while it retains consumers on a coal burning basis, does not make the coal problem any simpler. When stokers were first put on the market here there was little demand for small sized coals. To foster stoker installations, low prices were established and retailers were persuaded to do their part in promoting coal burning equipment by handling stoker coals on less than a standard margin. Now, when stoker fuel is becoming a sizeable percentage of gross sales, the margin is still below par. Dealer's margin on stoker coals varies from \$2.70 to \$2.90. Stokers sold in this area were designed to use either Vancouver Island coal or a mixture of coking and free burning coals. The care and labor required to properly mix coals from two different areas slows up the rate of sacking to the point that it is practically as expensive as screening and sacking lump coal. If coals are not properly mixed, the result is quite often a dissatisfied customer - and a new grade "A" prospect for an oil burner.

BY THE CHAIRMAN: Do you think it is rather a probable thing that people will be given the same opportunity to buy stokers as oil burners are to buy their units--that is by time payments?

MR. WINRAM: Your question is, the customer should be able to acquire the equipment on terms?

BY THE CHAIRMAN: Yes.

MR. WINRAM: Oh yes, I think so.

Q Has that attempt been made at any time by either the dealers here or producers of coal?

A To sell stokers?

Q Yes?

A Oh yes. In the early stages, our firm didn't go into it quite as extensively as some others, but at the beginning we actually contributed \$100 of our own hard money to each stoker installation. We dug that out and paid that down for the stoker and gave it to the consumer, on the basis that he would continue burn coal for the next five years.

Q I suppose it would not be a losing proposition to attempt to get the domestic consumer of coal to get the proper size stoves and that kind of thing and proper grates in their furnaces for a certain kind of coal?

A Well, the stoker is the only thing that is automatic to any extent I know of and that is one of the difficulties we are having and that is getting the proper coals for the type of equipment that is in.

Q Are the ordinary furnaces in British Columbia properly equipped for the consumption of your coal?

A Oh, I think so. They are very inefficient in extracting the heat.

BY MR. FRAWLEY: Those stokers you invested \$100 in, were they for industrial or domestic use?

A Industrial to my way of thinking. Not large tonnages. Possibly commercial would be a better term. Apartment blocks or something of that kind.

Q Were there any sales of stokers to domestic 6 or 7 room houses?

A At that time it was just getting started. Of course since that time there have been a lot put in. That practice of contributing \$100 has been done away with because it is no longer necessary. It was to demonstrate that they would

work. That is no longer necessary.

Q That five-year covenant was to keep them burning coal?

A And try to get our \$100 back.

Q Did any of them ever jump you in that period and go to oil?

A Oh no. (Continues brief):

A further expansion in the use of stokers in the post-war period is certain - with, unless adjustments are made, a decrease in the retailer's average working margin.

I cannot see how the producers can continue to supply an ever increasing percentage of their output at the lower price of stoker coals. An upward adjustment of stoker coal prices is to my mind inevitable. The only question is When.

BY COMMISSIONER MORRISON: Hasn't there been some adjustment in the last three years?

MR. WINRAM: As far as the producers have been concerned I think there has been some adjustment.

Q Well, hasn't it been passed on to the consumer?

A It has been passed on to the consumer, but as far as my margin I am working on in handling it I am still on the same basis as in 1939 when the Wartime Prices and Trade Board froze everything.

Q What is the price of stoker coal in Vancouver today?

A \$8.20, 10.90, \$11.00, depending on freight charges, distance.

Q What about Vancouver Island?

A I have not handled Vancouver Island stoker coal lately; I think last year, in February 1944, and I am not very familiar with it.

Q What price did you get for that?

A From memory, and I can be wrong, \$8.50, and the margin for handling it is on a pretty barrow basis. Of course if we didn't have to do all this sacking here we could certainly sell coal for a lot less money.

Q On that point, don't you think there are too many

dealers?

A Not today. There were, I think.

Q You heard what Mr. Boyd had to say about greater care in getting licences?

A I agree with him on that.

Q I do too.

BY THE CHAIRMAN: Those that are in the trade now would agree with him.

A Sure, but after all I have no objection to competition coming in against me provided that they are prepared to accept their responsibility of supplying the consumer, but I would not like to have a competitor come in and just bring in a carload of coal at a time it was available and sell it, and then if it didn't suit him not be there.

BY COMMISSIONER MORRISON: They call those people snow-birds in Alberta.

A That's right. That is the term that is used.

BY THE CHAIRMAN: Very often they keep people from freezing in some parts of the country.

A That is true, sir, but they didn't in this country. When the situation got bad they were all out; you couldn't find one of them, and the dealers here went to a good deal of expense and disregarded cost in order to get fuel to the community.

BY COMMISSIONER MORRISON: I know some of them that the producers couldn't find once they took delivery of the coal.

A That is their own fault. I don't think that anybody has ever suggested to us that we couldn't pay for anything.

Q I am not suggesting you.

A You mentioned credit as one consideration, and I think that my firm has a credit standing ---

BY THE CHAIRMAN: It is none of our business whether you have or not.

A I think it is an excellent one. (Continues brief):

Vancouver is one of the most difficult cities in Canada in which to make coal deliveries. No access has been provided to homes so that a truck can get near to the houses. Coal must be sacked and packed from the lane or street into basements. In most apartments and larger buildings the coal storage bin is not readily accessible and the coal must be packed some distance by delivery men. Even in the new homes now being built, no thought apparently is being given to fuel delivery or storage. Vancouver dealers have collectively attempted to bring this to the attention of home builders and architects, but with little apparent result to date.

Dealers could save handling costs in their yards (especially on sizes other than Lump) by erecting overhead bunkers to which the coal would be unloaded and elevated by mechanical means. By gravity through chutes coal could flow into a weighing hopper and be dumped into sacks without the laborious shovelling as is now the practice in most yards. It would not only be easier on the men, but would be more economical. Such an installation would entail considerable capital outlay. Without reasonable assurance of handling a certain minimum annual tonnage over a period of years the investment would not be sound. To borrow money for such purposes on the profit experience of the retail coal trade, in that department by itself, would be impossible. Any borrowing for investment in plant modernization would have to be on the basis of savings that could be realized and on the assumption that the next ten to twenty years would be profitable for the coal business - which is the exact opposite of the picture for the ten years prior to 1942.

From 1932 to 1942 I doubt if profits in the coal trade in Vancouver equalled losses. Many firms went out of business or went through reorganization. Others like my own firm survived by cutting costs to the bone and taking on other lines to supplement gross sales and counteract bad years in the coal department.

During the basic period established by the income tax department, 1936, 1937, 1938 and 1939, our firm made just about an even break for the four year period. Our standard of profit for income tax purposes is therefore the minimum. Income and Excess Profits taxes leave us only a MAXIMUM amount of \$3,500, in any one year, even though we made a million dollars. We could make less of course, but if a net profit of a hundred thousand dollars were made, the maximum amount the company could retain would be \$3,500.00.

BY THE CHAIRMAN: Plus what you would get back from the department?

MR. WINRAM: That is all we could retain at the moment. We would have to pay the rest over to the department, but there is a refundable portion. (Continues brief):

Reinvesting such an amount in a new truck and a few items of sundry equipment leaves exactly nothing for distribution to shareholders. As a matter of fact the shareholders have had to lend additional capital to carry larger than normal stocks so that consumers might be protected against a coal shortage. . . . I do not think we can be accused of gouging the public or anyone else for our own benefit. In fact I do not believe we received a fair remuneration for services rendered.

In spite of this, we have accepted it as our duty to handle all business offering up to the limit of our facilities. Dominion, Provincial and Civic authorities have not hesitated to impress fuel dealers with their responsibilities to the public and I believe that nowhere in Canada have the dealers accepted and discharged this responsibility in a way superior to that of the Vancouver dealers.

My company has had plans made and blueprinted for a yard layout - overhead bunkers and mechanical conveyors. Even with the uncertainty attached to the future of the coal business we would be prepared to go ahead and plough back the entire earnings of the company into such a project. But we are unable

to do this because the income tax department requires us to pay practically our entire net income over to them each year - and in cash.

Some adjustment in the present profits tax set-up is most essential while there are still profits. If it is not done till tonnage starts to drop then plant modernization will be next to impossible.

From 1931 (which was known as a depression year), the retailer's margin has from time to time been gradually whittled down. In the summer of 1931 the price of Nanaimo-Wellington Lump coal was reduced \$1.00 per ton to the consumer, but the mine price remained unchanged. In July, 1932 lump coals from Coalspur area were reduced 50¢ per ton to the consumer. The mine price was reduced by 25¢.

BY MR. FRAWLEY: By whom, by the producers?

MR. WINRAM: I am unable to answer that question. It was reduced either by agreement between producer and dealer or---. It was reduced anyway; that's all I am sure of. Whether the dealer voluntarily reduced it I would not be quite prepared to say. It was possibly by agreement between distributors and producers that it was arrived at. The fact remains that the price was reduced to consumers and in the case of the Coalspur the reduction to the consumer was 50¢ and the mine price was reduced by 25¢. They stood half of it. (Continues):

To date, even though mine prices have been increased, the only increase to the consumer has been the exact net amount of mine price increase.

Retail dealers during the depression took cuts in their margins which they have never been able to get reinstated. More recently when the Dominion Government authorized a 65¢ freight subvention on coals from Drumheller district, the price of Midland nut coal was reduced, by order of the Coal Controller, by 75¢ - a reduction in the dealer's margin of 10¢ a to

BY THE CHAIRMAN: Where do you get most of your coal?

A Entirely from Alberta now; Drumheller, Lethbridge and Coal-spur areas, and some from the Crow's Nest.

Q Previous to the war did you have any difficulty in getting coal from the Canadian Collieries when you needed it?

A Well, there were times when you couldn't get just exactly what you wanted.

Q But they were always willing to sell to you?

A Sometimes I got the impression that they weren't enthusiastic but they were always willing to sell up until the time they ran into difficulties. I think they would have liked to see all the coal go through those other dealers' channels but I must say they have never refused to sell me coal at all, and up until the war affected their production we always got what we ordered and so on. (Continues brief):

On the other hand we have had increased costs and at least one new added cost in the shape of Unemployment Insurance contributions. This process of whittling margins and increasing costs has now got to the point that it must soon be reversed and the retail dealer given a fair spread if he is to remain as a useful cog in our economic set-up.

The retail coal trade gives employment to many persons and contributes through the purchase of supplies and equipment to the business activity of the community. The mines do likewise, no doubt to a much greater extent. The movement of coal contributes a large revenue to our railway systems. Coal has stepped in to fill a basic need for heat and power supply to homes and industry when other sources were unavailable. It is one of our basic raw materials and it is to be hoped that through the efforts of this Commission some means may be found to re-establish the entire industry on a firm foundation. The industry will not be able to survive many periods such as have been experienced since 1930 and still be in a position to come back and rescue the community in times of stress and strain - if it is forgotten and disparaged when the crises are past.

BY MR. FRAWLEY: I just have one question. You have water facilities, have you?

A Both trackage and water facilities.

Q So when you buy coal from the Island it is barged right into your place, is it?

A Yes.

Q So you are just as able to handle the coal as the people who have the contract with them?

A Right.

WALTER E. ROBI. Examined by Mr. Frawley.

Q Mr. Robi, you are the resident director in Vancouver for Coal Sellers Limited?

A Yes.

Q Is your company engaged exclusively in this area in the distribution of Alberta coals?

A No, we handle Princeton coal from Tulameen.

Q Now you have prepared a submission for the Commission. Will you just put it into the record?

Exhibit lll - Brief submitted by Coal Sellers
Company Limited, Vancouver

A There are one or two errors in this.

Q Note them as you read it.

MR. ROBI proceeds to read Exhibit lll:

We sell Alberta coal in British Columbia only except to some various units of the armed forces. We also sell the Tulameen coal mined in Princeton.

The following coals are those we sell:

Bellevue	-	Mine Run and Lump
Cadomin	-	Mine Run, Stoker and Lump
Canmore	-	Briquettes, Stoker and Screened
Greenhill	-	Mine Run, Stoker, Steam 1 5/8" x 0, Slack 1/4" x 0, and Washed Furance 2" x 5"

Midland)		
Monarch)	-	Lump, Egg, Nut and Stoker
Crown)		

We also sell International McGillivray in the Lump and Mine Run.

BY MR. FRAWLEY: Now would you mind running back over those districts and for the Chairman's information just indicate where those districts are in Alberta?

MR. ROBI: Bellevue in Crow's Nest Pass, Cadomin in the Coalspur, Canmore is in their own area, Greenhill and International McGillivray are in the Crow and the Midland, Monarch and Crown are in Drumheller. (Continues brief):

Also in time of stress coal from the Government Emergency mines opened in Alberta to relieve any shortage. Even though we had a very mild winter some of their tonnage was needed in British Columbia.

It is our aim to keep the domestic mines operating continuously so we do not lose any miners. This applies particularly to April, May and June.

These are the three months when consumers should stock coal for the winter but they do not do so. They expect to get the kind of coal they wish when required on a few moments notice. Due to this fault in the severe weather period 42/43 we sold about 60,000 tons of Mine Run as no other coal was available.

That just broke the hearts of the people here to have to take that Mine Run. (Continues brief):

Dealers throughout British Columbia co-operate 100% filling their storage. This helps to keep the mines operating but Alberta mines did have idle time last season.

During the winter of 44/45 Vancouver would have been out of coal in 10 days with two weeks of cold weather from November 15th on. Coal from the Government Emergency Mines was shipped to Victoria, Vancouver and points East to fill in.

With 30 degrees below zero on the Prairie and fuel needed it is problematical just what tonnage of Emergency Coal will be allocated to British Columbia where most people think wood is available.

When there is a shortage of sawdust, users expect to substitute coal on a moment's notice instead of providing for

an emergency in advance.

This throws an extra load on the coal dealers who are working at a disadvantage--their selling price and margin frozen but wages have increased and no provision made to supply suitable labor.

When the Alberta and British Columbia miners received an increase in wages amounting to 65¢ a ton the Dominion Government subsidized the Drumheller and Lethbridge freights 65¢ a ton so there would not be any increase in price to consumers.

BY COMMISSIONER MORRISON: What was the date of that order,

Mr. Frawley?

BY MR. FRAWLEY: It was 1942.

BY COMMISSIONER McLAURIN: I think it was 1943, November of 1943.

MR. RAND MATHESON: November 27, 1942.

BY COMMISSIONER MORRISON: So your paragraph about the increase in wages is a little inaccurate, isn't it?

MR. ROBI: Why?

Q Well, the order-in-council was passed in 1942 and I have a hazy recollection that the increase was passed in November of 1943.

A Yes, that's right. Yes, I am mistaken. I thought that the 65¢ subvention was put in at the time the 65¢ increase was given to the men.

Q No, it was in effect a year before that.

A The subvention was, yes.

BY COMMISSIONER McLAURIN: The Alberta miners did not have the increase recognized until November 1943 but it was dated back.

BY COMMISSIONER MORRISON: Dated back to the 1st day of November 1943. This order-in-council was made effective in November 1942, a year before that. There is no connection between the two.

BY COMMISSIONER McLAURIN: Well, the 65¢ subvention was introduced in November or December of 1943.

BY COMMISSIONER MORRISON: Of 1942.

BY COMMISSIONER McLAURIN: Is this the O'Connor award?

BY MR. FRAWLEY: Oh no, this is Mr. Neate's order-in-council, P.C. 10592, which instituted assistance equivalent to a reduction of 65¢ per net ton from the said freight rates, and that is any freight rate which is more than \$5.00 per ton from certain places in Alberta.

BY COMMISSIONER McLAURIN: And then the O'Connor award was absorbed by the consumer to the extent of 99¢ on the dollar.

BY MR. FRAWLEY: That is my recollection of what happened.

MR. ROBI continues brief:

The Coalspur freight rate to Vancouver is \$3.90 per ton for about 650 miles while the C.P. rate from Drumheller is \$5.00 for about 700 miles.

BY COMMISSIONER MORRISON: Why the C.P. alone? The C.N. takes as much coal from Drumheller?

A I can't talk freight rates.

BY MR. FRAWLEY: Do you know what the C.N. freight rate from Drumheller is?

A \$5.00.

Q So that what you really should say is the freight rate, C.N. and C.P., is \$5.00.

BY COMMISSIONER McLAURIN: The C.P. mileage is 700; the C.N. is 900 or 1,000.

BY THE CHAIRMAN: Does that freight rate only hold good in that area?

A No, Lethbridge take the same rate.

Q Where does the \$3.90 come in?

A That is from the Coalspur area, up near Jasper Park.

Q Isn't that the same distance from Drumheller on the C.P.?

A It is 40 or 50 miles shorter.

Q I had a note from Mr. Rand Matheson on that question.

BY MR. FRAWLEY: Mr. Matheson prepared amemorandum yesterday covering this mileage. Coalspur to Vancouver, 662. We haven't got the Drumheller or Lethbridge mileage. I think

BY THE CHAIRMAN: Does the C.P. carry coal from Coalspur?

A No, C.N. only.

MR. ROBI: Mr. Commissioners, my error on the 65¢ subsidy makes the next paragraph wrong, because I said: (Continues brief):

This subsidy permitted Drumheller operators who wished to ship into this area at 25¢ per ton less than the prairie price. A differential in price had been made for 20 years by the Midland and Monarch mines for this market. However, with the prairies absorbing all the tonnage from Drumheller and Lethbridge very little coal came here. This was only shipped if there was a surplus of any one size.

Domestic production in Alberta prior to the war was greater than consumption. This resulted in price cutting and mines vying with each other on preparation. They did not have any opportunity to increase mine prices. There was no co-operation among operators.

There is an increasing demand for stoker coal. The supply depends on production of other sizes. Heating homes with stoker is the most economical method of using coal. Dealers' margin is too small as stoker coal is mixed to give best results and unless consumers stock when stoker coal is available a shortage will develop.

The overall picture after the war for coal is not rosy. Consumers who can afford to do so will instal oil, buildings and industries forced to burn coal instead of oil will immediately convert to oil when able to secure supplies.

Coal dealers are unable under present taxation to build up a reserve, and with a drop in tonnage without being able to increase their margin will gradually be forced out of business. Those able to continue will have to handle other products along with coal.

Even if the war in Europe was over tomorrow coal production could not be presently increased. The dealers and the Government advertise asking the public to take their coal in

NOW. I know this Commission is chiefly concerned about coal in the post-war period, however, we are living today and immediate steps should be taken to give the public the true facts of the situation so they will start to stock now. They should replenish their stock before it is depleted. With a drop in Vancouver Island production, and 500,000 tons loss of Alberta domestic coal produced in 1944 than in 1943 some people may be cold. The miners and dealers can't do everything.

EXAMINED By Mr. Frawley.

Q Dr. Carrothers filed Exhibit 97 showing coal sales in various consuming districts in the province of British Columbia, only of course going back as far as 1940. That shows that in 1940 Alberta coals were approximately 7% of the total coal sold; in 1941, 7.9%; 1942, 19%; 1943, 29.9%; 1944, 28.8%.

A In the entire province?

Q Yes. Do you recognize those figures? I am showing you exhibit 97.

A No, I can't see where British Columbia consumed 1,156,000 tons in 1940 and 87,000 of that came from Alberta. I didn't know that British Columbia consumption was that great. Those figures, of course, if they are correct, the 87,000 is approximately 7% of 1,000,000.

Q We will have to assume that those figures are correct. What do you think is the prospect for the sale of Alberta coals against the Island coals out here?

A Just the same as it was before. We are competing with them.

Q About what percentage of the total business have you got?

A Are you speaking of Vancouver or all of British Columbia?

Q All of British Columbia?

A We ship to all points in B.C.

Q When I say "you" I mean Alberta coal.

A Alberta coal I am speaking of and we compete with the Island

coal Kamloops west and I think we hold our own with them. We have so far. They have lower priced stoker coals than what we can compete with.

Q Is the Alberta coal coming mostly into the domestic market?

A Yes, mostly in the domestic market.

Q So that this tonnage of B.C. coal would represent in large part ---?

A Well, there would be Crow's Nest Pass coal in that, possibly from Trail, Kimberly. There are some figures here given by Greater Vancouver Fuel Dealers' Association which you might file.

BY MR. FRAWLEY: Mr. Robi is submitting some figures prepared by Greater Vancouver Coal Dealers' Association.

BY THE CHAIRMAN: Is that the Association we heard a moment ago?

BY MR. FRAWLEY: Yes.

Exhibit 112 - Summary of Coal Sales in the
Greater Vancouver Area for 1944

BY COMMISSIONER MORRISON: Do you sack any coal?

MR. ROBI: No, we just sell to the dealer.

Q Any of those coals that you have mentioned here, have you the exclusive rights on them?

A Yes, we handle them exclusively, except the coals from the Crow. We handle those exclusively in B.C.

Q I am talking about Midland, Monarch and Crown?

A Yes, we handle those exclusively.

Q And if John Jones wanted to buy a carload of coal he would have to buy it through you, would he?

A He would.

Q So that when Mr. Boyd told us he bought direct from the mine that is not quite so, is it?

A The mine ships him.

Q Oh yes, ships him, but buying goes through your office?

A Yes.

Q In other words you get a commission on the coal that he handles from that mine?

A I think so.

Q Now would you be prepared to file with the Commission a memorandum showing the spread that the wholesaler gets on coal as between the mine price and selling to dealers, so that we will have it in the picture?

A That can be filed from our Calgary office when you are there.

Q On the different coals what you say is the commission?

A We buy and sell the coal. We pay them for it twice a month so they can meet their payrolls, and then invoice the dealer 30 days.

Q Well, of course you are operating on either a straight commission basis or a profit basis of so much a ton?

A Profit, did you say?

BY THE CHAIRMAN: I don't suppose he would be in business if he wasn't making a living.

BY COMMISSIONER MORRISON: I am not finding fault with him.

A The last year or so it has been profit.

BY THE CHAIRMAN: In other words, those mines that you buy from and sell to the wholesalers here have no sales departments of their own?

A No, we keep the mines operating. We sell their coal. With all due respect to Mr. Howells that moves east, it also moves west; not so much north and south.

Q You really take the place of an organization many coal companies have looking after their own sales?

A Yes.

BY COMMISSIONER MORRISON: Your Calgary office, you say, Mr. Robi, will furnish us figures as to what that service costs the mines? Put it that way.

A Yes.

Q If you don't like the word profit.

A Oh, I like the word profit.

Q I will be quite frank. I wonder how many companies like

yours should be operating in order to supply coal to people throughout this country? I have views on that too.

A Yes, I have heard of them.

BY THE CHAIRMAN: Are you interested in those companies as a shareholder or anything like that?

A No sir, not in the mines. We just have to keep them operating. They mine the coal and we move it.

BY COMMISSIONER MORRISON: And some of them say they keep you in business by supplying you with the property to sell?

A Oh yes, and we in turn keep the dealer supplied and he keeps the consumer warm.

Q And it all comes from the point of the pick?

A Yes.

(Page 1817 follows)

JAMES DICKSON takes the stand - EXD. BY MR. FRAWLEY

Q. You are the Chief Inspector of Mines for the Province of British Columbia?

A. Yes.

Q. You are here to submit a brief of the British Columbia Department of Mines?

A. Yes sir.

Q. All right Mr. Dickson, you may proceed.

Exhibit No. 113 - Submission by Dept. of Mines of Province of British Columbia.

Mr. Dickson then read Exhibit 113, as follows:

Before starting the submission, I would like to say that I have tried to avoid too much detail in this. This first page is merely an inventory of the main coal resources of British Columbia, and does not include all of the coal fields that may be later operated.

BY THE CHAIRMAN - You mean it does not go into the reserves very much?

A. Yes.

(Reads submission)

"PRODUCTION

1. Location of fields.

East Kootenay, comprising Elk River, Michel and Corbin collieries.

Nicola-Princeton, comprising the two separate fields at Princeton and Merritt.

Vancouver Island, comprising Nanaimo, Comox, T'Sable River, Campbell River and Suquash; the three latter undeveloped.

Tolkwa area, comprising the small operations of the Bulkley Valley and Tolkoal collieries. Field requires further geological survey.

Peace River area. Wholly undeveloped except for several mines remote from railroad. Field requires further geological survey.

Groundhog area. Wholly undeveloped and remote from transportation. Requires geological survey.

"Queen Charlotte Islands (Graham Island) Wholly undeveloped and remote from transportation. Requires geological survey.

Hat Creek area. Partly developed lignite deposits situated between Ashcroft and Lillooet; has possibilities of a large output as a surface stripping operation."

As I mentioned before there are numerous other coal exposures in the Province on a smaller scale than those mentioned, some of which, if not all, will be of ultimate great value in later years in this Province.

Continues submission

2. Classified inventory of coal resources in each field covering:

(a) Availability

Inventory of coal resources in each field

In the East Kootenay area there are many seams exposed by outcropping on the mountain sides with the result that all the mines to date have been developed by means of adit tunnels and slopes driven in the seams from the surface. Many of the seams at Michel have been intersected by an adit cross measure drift which serves as the main haulage system for the separate operations in different seams.

At the Elk River colliers access is by adit tunnels in the different seams operated with the possibility of other seams being developed by cross measure drivage from the seams now being mined. With the numerous outcrop exposures of many different seams of coal in this area large outputs could be secured and maintained in excess of present rate of production.

At Corbin the surface stripping operation of the Consolidated Mining and Smelting Company of Canada can produce 1,000 tons of coal per day and this could probably be augmented for some time before underground mining is required. The seams are exposed at a considerably lower elevation than the

stripping operation and underground mining was successfully carried on for many years with a daily production of 1,000 tons. New underground mines can be started when conditions indicate this is necessary.

In the Nicola-Princeton field all mining, past and present, has been from adit tunnels and slopes but it is probable that any future large-scale mining will involve the use of shafts in the deeper parts of the field. One shaft at Merritt and one at Princeton were sunk in the earlier years but very little development resulted before these shafts were abandoned. There are numerous coal outcrops in both the Merritt and Princeton areas but there has not been sufficient geological surveying carried out to complete the information on this field.

Vancouver Island.

The workable limitations of the Nanaimo area are fairly well defined and recognized but in the Comox area there is little definite information regarding the continuity of the coal seams at depth beyond the points reached by past and present mining operations. A survey of the coal resources of the Comox area is at present being carried on by the Dominion Government and this should result in more definite information on this point.

The seams worked in this district have proved to be fairly uniform as far as the past and present mines have been driven and there is every reason to expect this condition to continue at the greater depths beyond the present mines but it will require deep shafts to reach the seams in any new area.

Telkwa area.

All coal mining in this area has been developed from the outcrops of the different seams by means of slopes driven in the seams from the surface and it is unlikely that any shaft mining will be required in this area for a long time."

Q. How far is Telkwa mines from Prince Rupert?

A. About 240 miles, at a guess. The mines are about seven miles from the railroad.

Continues submission

"Peace River area. All mining and prospecting in this area have been in seams exposed by outcrops with the result that production is attained without preliminary development and this condition can be expected to continue for many years and over a large part of the coal-bearing area."

BY MR. FRAWLEY - Is the Carbon Creek field in this Peace River area?

A. It will be some fifty miles west of that.

Q. In what area is it in your classification?

A. In Peace River.

Continues submission

"Groundhog area. Only prospecting work on various outcrops in this area has been done and little is known of the possible continuity of the seams and probable coal reserves in the area.

Queen Charlotte Islands. Graham Island. Only prospecting operations have been carried out on the various seams exposed by outcropping in this area and there is no definite information available regarding the probable reserves and possibilities of this field."

BY THE CHAIRMAN - How large an Island is Graham Island?

A. In area it would be around fifty odd miles.

Q. How far is it removed from Vancouver Island, north, about?

A. 100 miles. I am guessing a lot.

BY COMMISSIONER McLAURIN - Where is Groundhog?

A. North of the C.P.R. between Telkwa and Prince Rupert.

Continues Brief

"Hat Creek area. This area, situated midway between Ashcroft and Lillooet, contains a large lignite deposit which consists of a large number of seams with intervening rock layers. Underground mining has been carried on in a small way but it is possible that a large tonnage could be recovered cheaply by surface stripping.

"(b) Transportation available.

East Kootenay area.

The Michel colliery of the Crow's Nest Pass Coal Company is situated on the main south line of the C.P.R. and has ample switching and loading yards with a direct connection to the railway.

At the Elk River colliery a five-mile privately operated railroad connects the mines with the main south line of the C.P.R. at Fernie.

Corbin Colliery, operated by the Consolidated Mining and Smelting Company of Canada, Limited, is situated some 12 miles from the main south line of the C.P.R. at McGillivray. Transportation from the mine to the railroad is by means of a fleet of motor trucks. There was formerly a rail connection between the mines and the C.P.R. but this track has now been removed and the former railroad grade is now used for the truck haulage."

BY MR. FRAWLEY - That was abandoned, was it not? Are you saying anything about that later on in your brief?

A. I believe I do. That mine was abandoned.

Q. Is it a salvage operation?

A. They have acquired some of the claims held by the Corbin Company and have developed a surface stripping operation.

Q. The same area?

A. Yes.

Q. But new coal?

A. The same coal, because some of the stripping operations actually have exposed some of the former underground operations.

Continues brief.

"Merritt-Princeton area.

The mines in the Merritt area have direct connection with the C.P.R. branch line from Spences Bridge to Brookmere on the main south line of the C.P.R.

At Princeton the south line of the C.P.R. passes through the coal field and provides a direct railroad

connection with the only mine in operation at present. A number of formerly producing mines, now temporarily abandoned, in this area, transported their coal to the railroad by means of motor trucks.

Vancouver Island.

Practically all coal mining on Vancouver Island is by the Canadian Collieries (D) Ltd. whose mines in the Nanaimo and Comox areas have direct rail connection with the Company's shipping wharves at Nanaimo and Union Bay, from which points coal is shipped by scow to Vancouver and Victoria and also for export to the United States. These shipping points are also equipped for bunkering coastal and deep sea shipping.

There is also railroad connection with the E and N Railway at Nanaimo and Union Bay over which carloads of coal can be taken for transfer by ferry to Vancouver.

There are a few small outcrop mines in the Nanaimo area whose output is mostly handled by motor truck for local consumption.

Telkwa area.

The Bulkley Valley Colliery and the Telkoal Company each operate a small mine some seven miles south of the C.N.R. at Telkwa. The coal is transported from the mines to the railroad shipping point at Telkwa by motor trucks.

Peace River area.

Coal mining operations in this area consist of four small operations. Three of these mines are on the Peace River a few miles west of Hudson Hope and some sixty miles west of Fort St. John which is the nearest marketing or reshipping point. The fourth mine is on Hasler Creek, ninety-five miles by road from Dawson Creek, the nearest market and railway point. The output from these mines is all transported by motor truck."

BY COMMISSIONER MORRISON - Is that Hasler Creek mine working now?

A. Yes.

"Groundhog area.

There are known coal deposits in this area which is more or less unsurveyed. Some prospecting has been carried out and satisfactory indications established but there has been no development or production in this area which is remote from any system of transportation.

Queen Charlotte Islands.

There are known coal deposits on Graham Island which have been partly prospected but there have been no developments or production.

Cariboo-Hat Creek area.

There are a number of lignite deposits in this area at which some small prospecting operations have been carried on from time to time but only at the Hat Creek deposit midway between Ashcroft and Lillooet, has any definite effort been made to mine for production. The small output from this operation was sold for local consumption within trucking radius.

2. (c) Optimum Rate of Extraction.East Kootenay area.

The Michel and Elk River Collieries of the Crow's Nest Pass Coal Company Limited during 1943 produced 892,000 tons and with the new developments at the Elk River colliery there is little doubt that if markets offered and miners are available this Company could produce over 2,000,000 tons per year with their present preparation plants.

At the Corbin colliery (at present a stripping operation) of the Consolidated Mining and Smelting Company of Canada, Limited, an output of 1,000 tons per day has been attained during the latter part of 1943. (I might add also in 1944). This output could be materially increased for some time and if underground mining is developed there would be little difficulty in producing 300,000 to 600,000 tons per year.

Nicola-Princeton area.

The total production from this field totalled 88,000 tons in 1944 and 146,000 tons in 1943, while in earlier

years the output was much higher. With the exception of the Coalmont Collieries and the Middlesboro Collieries, now both abandoned, the various mines in this area have had a very limited existence, this being due to various reasons among which may be included failure to properly prepare the coal for marketing and faulty or obsolete mining methods.

With the possible exception of Coalmont Collieries none of the presently abandoned mines in this area were exhausted; these including Diamond Vale, Princeton-Tulameen, Princeton Coal and Land, Pleasant Valley, Wilson Mining and Development Company, and Granby Consolidated Mining, Smelting and Power Company Collieries. At a conservative estimate this district could easily produce 600,000 tons per year.

Vancouver Island

The two presently coal producing centres are Nanaimo and Comox and while both centres have maintained a moderate production during the past ten years the annual output has been much less than in preceding decades and in the Nanaimo area, due to the depletion of the coal reserves, it is anticipated that a further marked decline in production will result at an early date.

With an adequate supply of labor the output at Comox could be considerably augmented from the present mines for some time but any important permanent increase in production will be attained only by new mines in this field or in the adjacent T'Sable River area.

With the probable coal reserves in this area, and under the control of the Canadian Collieries (D) Ltd., the present mines and the above suggested new mines should easily produce 1,000,000 tons of coal if market conditions offered."

BY THE CHAIRMAN - I rather understood from the operators on the Island that every time that it is necessary to close down a mine because of depletion, or no coal, that they are always able to open up another mine to take its place?

A. That has been a very fortunate circumstance up to recent

years, but nearly all the easily accessible coal has now been exhausted, and while a dozen years ago you could start one right up, now it requires long distance planning. So the cream is gone.

Q. Have there any accurate surveys been made by geological departments that you know of over there, in recent years?

A. Well, as mentioned since the Commission sat in Vancouver here, there have been several surveys by the Dominion authorities, by Clapp in 1912, which resulted in a lot of definite and valuable information, and MacKenzie in 1920 or 1921.

Q. Was it not 1923?

A. That was when the report was made.

Q. So far as the reports are concerned, don't they show large coal reserves on the Island? I am not talking about the accuracy of those reports, but the latest geological reports from Vancouver Island do show large reserves of coal?

A. They show considerable reserves, but very minute compared with previous reports.

Q. On account of the depletion of coal reserves, a decline will result?

A. In the Nanaimo area.

BY COMMISSIONER MORRISON - Is there any coal in the Nanaimo area aside from that held by Canadian Collieries?

A. I believe so.

Q. Who owns that?

A. I have in mind the Morden property, which is a mine that was abandoned 20 or more years ago.

Q. Who operated it at that time?

A. The Pacific Coast Collieries.

BY THE CHAIRMAN - Why was it abandoned?

A. So far as I am aware, due to financial difficulties, litigation and allied evils.

BY MR. FRAWLEY - Does the Crown own it now?

A. No sir. It is a difficult question; I don't think anyone knows who owns it.

Q. Alienated from the Crown?

S.

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Jas. Dickson

A. Yes. It is either owned by the Pacific Coast Collieries or an auxiliary of it.

BY COMMISSIONER MORRISON - You know there has been a lot of controversy in Nanaimo area as to the future of the coal?

A. I think as a main producing coal centre, Nanaimo is shot. Mining no doubt can be carried on there on a lesser scale than at present for some time to come.

Q. As far as being a flourishing industry, you think the day is past?

A. Definitely so. As a matter of fact Nanaimo never justified the name it had as a major coal field at any time. The total area found coal-bearing so far is, less than 8000 acres in the Douglas Seam; about 3000 in the Wellington Seam, and less than 1000 in the Newcastle Seam. There is coal beyond that, but these cover 95% of the coal reserves in that area.

Q. Were you at the hearing when Mr. Baird presented his maps?

A. Yes.

Q. Did you follow that evidence very closely at that time?

A. I believe so.

Q. Do you agree with the estimates he made as to possible coal reserves in that area?

A. The whole lot hinges on the interpretation put on "reserves".

Q. I am talking about actual. Do you agree with his interpretation of the reserves as he presented them to this Commission?

A. I don't recollect just what he did say on reserves.

BY THE CHAIRMAN - Perhaps Mr. Frawley will refresh your memory from the record.

BY MR. FRAWLEY (Consulting plan)

Q. You recognize the areas, do you?

A. Yes.

Q. In Campbell River he says 33 million possible tons?

BY COMMISSIONER MORRISON - I am just questioning him in relation to the Nanaimo area.

BY MR. FRAWLEY - He speaks first of the Douglas Seam and says in No. 10 mine 600,000 actual tons. And that is all; no

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Jas. Dickson

probable or possible. Coal bearing area about 83 acres.

A. I think that is as accurate as anyone could place it.

Q. Then in No. 10 mine 80,000 probable and 10 acres?

A. Yes, that would be reasonable I would think.

Q. Then south of Granby Mine there are 360,000 probable and that is all. And he has 50 coal-bearing acres. Do you agree?

A. Yes.

Q. Also south of Granby mine there is 1,100,000 possible and no actual or probable, and he shows 150 acres?

A. I suppose that is as definite as anyone could get it.

Q. Do you agree on the meaning that he gives to the word "possible", as to what he means when he says there are 1,100,000 possible?

A. Yes.

Q. Then he says in the Cedar District there are thirty million possible tons and a large acreage there, 6592 acres. What do you say, do you agree?

A. I know the area but I don't know of any information as to the coal-bearing possibilities there beyond what is visible from the ground already mined.

Q. He is still speaking of Douglas seam?

A. Yes.

Q. You don't want to be taken as agreeing with him in that respect?

A. What do you place as possible?

Q. Then Newcastle Seam, he says at Chase River there are 140,000 tons of possible. Do you agree?

A. Well that may be. As against that there is only one area in the whole of Vancouver Island where the Newcastle seam has been found.

Q. Where is that?

A. In the now abandoned protection mine.

Q. In what district?

A. Nanaimo.

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Jas. Dickson

Q. In the Wellington Seam he says at Departure Bay 425,000 possible, 177 acres.

A. Yes, that is quite within reason.

Q. At the Little Ash mine 24,000 probable, no possible or actual. Four acres. Do you agree?

A. That is reasonable.

Q. At White Rapids, 500,000 actual, 138 acres.

A. I think that is quite possible.

Q. Again at White Rapids in another area of the seam, 33,000 probable, and no actual or possible. Do you agree?

A. Yes. Although 33,000 tons in mining does not mean anything.

Q. Then he has a third, 85 acres of 2' 6" seam, and he says 225,000 possible there. No actual or probable.

A. Quite legitimate.

BY THE CHAIRMAN - What can a man say when one man says there is one million tons possible. What can another man say about it?

BY MR. FRAWLEY - That shows, summing up in the Nanaimo area, 1,100,000 actual tons?

A. I think on the whole that is about as reasonable an estimate as one could reach.

Q. Then 497,000 tons of probable?

A. That is quite within reason.

Q. Then 31,920,000 tons of possible?

A. Well before I would even comment on that, I would say have it drilled.

BY MR. FRAWLEY - You may continue with the Brief, Mr. Dickson.

MR. DOCKSON continues brief:

"Telkwa area.

The two small collieries in this area are in the early development stage and should be capable of very considerable expansion and should be able to supply all demands along the C.N.R. between Jasper and Prince Rupert. With further development and if the market offered there would be no difficulty in producing 1,000 tons a day from this area.

Peace River area.

The small mines in this area are in the early prospecting and development stage but while there are undoubtedly large coal reserves in this area it is unlikely that any large production will be reached until such time as railroad transportation is more accessible.

3. Costs of Production, all phases.

This should be determined from costs submitted by the individual operator."

BY MR. DICKSON - This, I might say, is purely in reply to your Questionnaire, hence the numbers on headings.

BY MR. FRAWLEY - You mean the list of subject matters set out?

A. Yes.

Continues Brief4. Nature and extent of supervision and regulation by governments.

The "Coal-mines Regulation Act" prescribes the conditions of operation in regard to the safety of men employed and is administered by the Minister of Mines through his Inspectors of Mines who are located at each coal-mining centre.

While the application of these safety regulations generally tend, indirectly, towards a greater efficiency in mining operations the Act does not provide for any economic supervision or control of mining operations so that each operator is free, with any limitations as per the foregoing paragraph, to operate his mine as he sees fit.

The "Coal Act", 1944, Section 11, does exercise a direct control in regard to obtaining the maximum possible extraction of coal from the area to be mined and this provision may tend towards a greater efficiency in the mining and conservation of this asset so important to the Province and Dominion."

BY MR. FRAWLEY - There seems to have been a lot of coal alienated from the Crown in the Province of British Columbia?

A. Yes.

Q. By railroad grant and that sort of thing.

A. Yes, and by lease.

Q. Not by lease, completely alienated.

A. Yes.

Q. It seems to have been the practice at one time to sell rather than lease?

A. The only ones I know of were the E & N. belt and the Crow's Nest Pass concession at East Kootenay.

Q. And as to the rest of the Province there was no alienation?

A. First leased and later Crown granted.

BY THE CHAIRMAN - I got the understanding that practically all the coal areas of Vancouver Island were never in the Crown of British Columbia; were alienated through sales made many many years ago and given to private operators.

BY COMMISSIONER McLAURIN - While she was a Crown Colony, before Confederation.

BY THE CHAIRMAN - Was it done by any Government body in British Columbia?

A. I believe in the early days by grant.

Q. From whom?

A. From the Colonial Government to the Hudson Bay Company.

Q. What do you mean by the Colonial Government? Of British Columbia?

A. Yes, to the Hudson Bay Company, in the Nanaimo area.

Q. Whoever gave that testimony, I likened it to the old British co-operative business at North Sydney, where a Prince of England, or a Duke of England gave certain British people not only priorities, but gave them the mines, and it took an Act of the Legislature of Nova Scotia to get them back to the Province.

BY MR. FRAWLEY - That is something Mr. Dickson that you really have not covered in your brief, is it not?

A. That is, the point of ownership?

Q. Yes?

A. No, I have not covered that.

Q. It would help us and obviate a good deal of original research on our part if we could get from you a statement on the manner

in which coal rights have been either completely alienated, or leased. Could that be done by you or some one in the employ of your department?

A. So far as I am aware these two main fields, the total area held in the so-called railway belt, which I believe was given to Dunsmuir for the building of a railroad in 1883, and comprised some two million acres.

Q. On Vancouver Island?

A. Yes. That I believe gave them all the coal rights which had not then been alienated in that area, and to compensate for any that had been already alienated, gave them I believe an equivalent acreage elsewhere. And the Crow's Nest Pass Coal Company also in return for some concession in regard to railroad building, I believe got some 200 square miles in Crow's Nest Pass area. I believe all other Government rights in the Province have been obtained by staking under the various Acts. The staking consists of areas of not less than one sq. mile on which the staker had to do a certain amount of preliminary work to hold that lease, and later could, by a certain payment, obtain a Crown grant of it.

Q. He could in some fashion obtain full title?

A. Yes. He also had to pay taxes on it.

Q. So there was a system of complete alienation of coal lands?

A. Yes.

Q. Would you be good enough to file, or get somebody in the British Columbia Government to prepare a memorandum for the information of the Commission?

A. I believe that is complete in the Acts.

Q. In what Acts?

A. Coal and Petroleum Act.

Q. We will have to do some of our own research.

A. That again has been to some extent affected by the Coal Act of last year, which introduced a new set-up in the matter of coal leases, and provides that there will be no more alienation of coal lands, but instead a system of licensing or leasing.

And that stipulates that a man who obtains a license can operate up to 10,000 tons a year on an area of land of one square mile for a payment of 50¢ an acre, but no tenure beyond one year renewable, and if he can satisfy the Government that he has a potential market he can obtain a lease for 20 years upon payment of \$1.00 per acre.

BY COMMISSIONER MORRISON - Did you say 25¢ a ton?

A. No, 50¢ an acre.

BY THE CHAIRMAN - That does not encourage coal mining very much?

A. The intention is to split the balance between encouraging new coal operations and the prevention of damage to the natural resources, the latter being perhaps most important. And in the case of a man taking a license, he pays 50¢ an acre for a year, and a yearly renewal of his license, but if he takes a lease for 20 years he can pay \$1.00 per acre. Again, if he does work on the licensed area to the extent of \$7.50 per year, that eliminates his license fee, so he is not charged both ways. There has been much damage done to our coal areas by the so-called small man starting mines that rack or ruin the approach to greater areas beyond.

Mr. Dickson continues brief.

5. Relation between production and research organizations, either government or industry.

There is no organized coal research body in British Columbia but the Dominion Laboratory at Ottawa is equipped to carry on research work and large scale tests on coal and on several occasions the Provincial Government has been instrumental in having tests made there to determine the value of British Columbia coals for coking purposes and for use in the pulverized forms and also had coal samples sent to England for test to determine their value in regard to the low-temperature carbonization process and the recovery of by-products."

BY MR. FRAWLEY - Can you tell us the result of any of those tests? Was the last one recent?

A. Ten or twelve years ago, and it showed that the coals on the whole were very satisfactory for the recovery of by-products by carbonization processes.

Q. That does not tell us enough. You would have all that in your office in Victoria?

A. Yes.

Q. Would you mind supplying the Commission with the result; where the coal was from, and where it went to, and what the analysis showed in detail.

A. Yes. I will do that tomorrow.

Continues Brief

6. Production or manufacture of coke and its by-products.

The only commercial coke produced in British Columbia is at the Michel plant of the Crow's Nest Pass Coal Company Limited where coke is made by the bee hive type oven, and, since 1939, by the Curran-Knowles type of by-product oven.

The accompanying table shows the production of coke at this plant during the past ten years.

A type of coke is produced at the gas plants of the B. C. Electric Co. at Vancouver and Victoria as a by-product of gas manufacture but this would not normally be classed as a true coke."

BY THE CHAIRMAN - What do you mean by a true coke? Is it used for anything at all?

A. It is only used as far as I know to try and get out what little remaining heat might be in it.

Q. A coke that is manufactured from gas plants makes a splendid domestic fuel, does it not?

A. Yes I guess, but it is not coke.

Q. They call it coke down in our country, and it is so designated by the authorities at Ottawa.

BY COMMISSIONER McLAURIN - It may not be a metalurgical coke, but is it not a good domestic coke?

A. It is either good, or it is not.

BY THE CHAIRMAN - There are different kinds of coke?

A. If you want to buy coke..

Q. There is a coking plant in Montreal which produces many thousands of tons of coke a year which is used entirely for domestic purposes.

A. Yes, there is one in British Columbia designed for it.

Q. Do you call it coke?

BY COMMISSIONER McLAURIN - The Chairman is speaking of the LaSalle ovens in Montreal which produce gas for greater Montreal, and as a by-product they have coke which is sold as domestic fuel and which reduces the over-all costs.

A. That is like oil, you can refine it to any degree. There is a value of the coke apart from the gas recovery.

BY COMMISSIONER MORRISON - This coke that the B. C. Electric make here is a pretty good domestic fuel, is it not?

BY MR. FRAWLEY - Mr. Orr is here and he will tell us about it.

BY THE CHAIRMAN - I don't like a man like the Chief Inspector of Mines for the Province of British Columbia to say that the coke produced by the B. C. Electric Company is not a true coke.

A. Well certainly it is not.

Q. What I am getting at, does it mean that all cokes that are so made are not true cokes?

A. You can say "Dutch oven coke" or something of that kind.

Q. Would you call a true coke one that would take the place of American anthracite as a fuel?

A. If it was processed.

Q. I am asking you if you would call a coke which is a good substitute for American anthracite coal, a true coke?

A. No, because a true coke would be an equivalent of U. S. anthracite, it would not be a substitute.

Q. That is what I am saying.

BY MR. FRAWLEY - This coke sells in the market equally with American anthracite.

S.

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Jas. Dickson

A. For what purpose is it made? If it is intended primarily to sell as a coke it has not all the gas out of it.

BY THE CHAIRMAN - They take all the gas they can.

A. You could continue the gas production from coal until you have very little carbon left in it.

Q. I don't agree with your statement, and the facts all over the country substantiate what I say.

A. I may be entirely wrong, but I stick to it.

Continues brief.

"7. Low temperature carbonization, liquifaction, hydrogenation and other methods of production of by-products and synthotic materials.

With the exception of the coke plants mentioned in the preceding paragraph, there are no plants or processes in British Columbia producing or recovering coal by-products and such by-products as are recovered from the above plants are used in their raw state without further chemical processing.

Since the inception of the war there has been very little information available on any later developments on the hydrogenation or liquifaction of coal as these processes were largely developed in Great Britain, Germany and Japan, but efforts are being made by Government Departments to keep as well posted as possible in regard to these newer methods of coal utilization.

Competitors of coal in British Columbia.

The chief competitors of British Columbia coal in the Province are in that order, hydro-electric power, fuel oil and Alberta coal. The accompanying tables show the extent of this competition during the past ten years."

I may say that at the end of this brief there are a number of tables showing production, etc.

Continues brief.

"Hydro-electric power is a natural resource and has its proper place in the general progress and industry of the province and where this power can be produced more economically than from coal.

Competition from other Power Sources

Some of the modern coal-steam-electric power plants have demonstrated that electric power can in many instances be more cheaply produced by these plants than by hydro-electric installations with the price of available coal being a governing factor and an assured market for coal in connection with such electric installations would do more to reduce the cost of mining and lower the price of coal.

The fuel oil used in British Columbia is almost wholly a by-product from the refining in the Province of imported crude oil for the production of gasoline but in this case the so-called by-product amounts to several times the volume of the primary product to the extent that for many years less than 25% of the volume of the crude oil imported for refining purposes was recovered as gasoline and the resulting fuel oil was in sufficient volume to practically control the fuel market.

The loss of this potential market has definitely caused an increase in mining costs as the mines developed and in production before the war lost much working time due to lack of orders and maintenance costs in most mining operations are inversely higher with any reduction of working time.

In addition to the fuel oil released from the above refining of gasoline, a considerable amount of fuel oil is imported as such and over a period of years the total amounts of fuel oil used in British Columbia has displaced a potential market for over 1,000,000 tons of coal per year as shown by the accompanying table. The amount of Alberta coal shipped to and used in British Columbia has risen sharply during the war years and is now at the rate of approximately 1,000,000 tons per year; this very necessary tonnage was urgently required in British Columbia because due to the long period of market attrition the mines of the Province were not in a position to respond quickly to the current demands as there had been no incentive to develop new mines. This is a process that requires

a period of years to reach the producing stage in most areas, and particularly so where shaft to depth may be necessary.

The main producing fields of the East Kootenay area, Vancouver Island area and the Nicola-Princeton area are capable of a much augmented production of coal if greater permanent markets could be assured while the newer developments in the Telkwa and Peace River areas are capable of supplying all the coal requirements in those areas, and may, with adequate rail transportation and rates, be later able to enter the wider market available in the south western part of the Province.

Importance of Coal Mining in British Columbia.

Coal mining is vital to the continued existence and progress of Michel, Fernie, Princeton, Merritt and Cumberland all of which towns owe their origin to coal mining in their vicinity and are still wholly dependent on the continuance of the coal industry. Nanaimo, the pioneer coal mining city of the Province, is still mining coal on a declining scale but while the remaining coal resources in that area are of considerable importance to Nanaimo, the town itself can be considered now largely independent of coal mining.

British Columbia has produced approximately 100,000,000 tons of coal and at a conservative average of \$5.00 per ton, this has meant new wealth to the extent of \$500,000,000 in the Province; a large proportion of this being directly distributed as wages. In 1914 the coal production of British Columbia was 2,160,000 short tons and the mines had a payroll of over \$5,250,000, or at an average wage cost of approximately \$2.50 per short ton mined. Practically all the necessary supplies and equipment, as far as obtainable, are purchased in British Columbia, so that the coal mining industry is an important contributor to the life and progress of the Province and merits every assistance that will lead to its greater efficiency and expansion.

The chief competitors of coal in British Columbia are, in that order, hydro-electric power, fuel oil and Alberta coal.

The first is another natural resource of the Province and has its proper place in the general life and industry. Fuel oil used in the Province is largely a by-product of gasoline refining from imported crude oil which for many years entered Canada duty free, while Alberta coal which has been shipped to parts of British Columbia for many years to the extent of over 200,000 tons annually has increased during the war years to approximately 1,000,000 tons.

The accompanying tables show the totals of these competitive sources of heat and power during past years.

Up to 1912 the production of coal in British Columbia kept pace with the general progress of the Province and contributed largely to that progress both by supplying the fuel required for heat and power within the Province and by the comparatively large tonnage of coal exported to the United States.

The discovery and utilization of oil in California in the first decade of the century soon began to reduce the market for Vancouver Island coal in that State and the oil competition was also later felt in the home market where for many years fuel oil to the equivalent of over 1,000,000 tons of coal per year has been used in British Columbia.

The steady increase in the installation of hydro-electric power since 1910 has displaced a large potential market for coal.

It is difficult to say to what extent the loss of market due to the above competitive sources of power was in turn due to the failure of the coal industry to meet the challenge of these newer and more progressive competitors by equivalent research and modernization to demonstrate the maximum value that can be obtained by the efficient use of coal as a primary power in modern installations. Some of these modern installations operated by companies who have to buy their coal from the mines have shown their ability to produce steam-electric power much cheaper than they can buy it from hydro-electric power companies.

The average coal mine is generally designed for a given average output over a period of years and any loss of market or decreased production usually results in increased maintenance costs as most mines and particularly longwall operations are more costly to maintain unless the operating cycle can be maintained regularly and this regularity cannot be maintained unless the estimated output is also required and maintained.

On a larger scale the same factors also affect and retard the development of new mines to provide the necessary production for the more or less immediate future and mining even at moderate depths is not sufficiently flexible to permit a mine to be planned, developed and put into production in less than one year, and it may require a much longer period.

British Columbia coal mines suffer from some inherent disabilities that are ^{not} met with in more uniform coal fields. On Vancouver Island the disturbed nature of seams and adjacent strata, make it difficult to adhere to a definite long range plan of operation with the result that the operations are largely influenced by conditions in each area of the mine with resulting necessary changes to meet current conditions.

Conservation of Coal Resources

There has been no practical economic control or conservation of the coal resources of British Columbia, as once any person or company obtained control of a coal area either by grant, lease or purchase, such parties were entirely free to operate mines as they saw fit; so long as the safety provisions of the "Coal Mines Regulation Act" were observed, but this did not provide for any authority to deal with the economic operation of mines or mining areas nor did it authorize any control over the methods of mining or whether mines developed may be abandoned before the extraction of all the recoverable coal."

Q. Did they have to go to your office to get a permit to abandon a mine?

A. No, they were required to send us notice that they had quit.

BY THE CHAIRMAN - That they had quit?

A. Yes. Three months later.

Continues Brief

"The lack of any policy of conservation has resulted in the abandonment of many developed mines in different parts of the Province with many millions of tons of coal left in these abandoned mines. Future mining may recover some of this presently abandoned coal but much of it will be totally lost and the remainder recovered only at an unnecessarily increased cost as the life of the average coal mine roadways is very limited in the absence of maintenance and the cost of recovering the roadways will far exceed the original cost of drivage.

A policy of conservation would probably have prevented the opening of some of the mines now abandoned or prevented their abandonment once developed as in some instances semi exhausted mines have been abandoned and the mining operations transferred to adjacent areas for various reasons. The main reason generally being the hope to obtain cheaper coal for some time.

There can be no doubt that if such abandoned and only partly exhausted mines reverted to the Crown immediately after abandonment this would in many instances prevent abandonment and where abandonment did occur there would remain the probability of other parties acquiring the mine and prevent wastage of the coal resources and before serious damage resulted to the abandoned mine."

BY THE CHAIRMAN - I suppose these recommendations have been made to the Government of British Columbia from time to time?

A. There have been comments made, but still so far the law says if you own it, you own it.

Q. But the first paragraph under "Conservation of Coal Reserves" "There has been no practical economic control or conservation of the coal resources of British Columbia". That is a matter for the British Columbia Government.

A. Well, as I mentioned before, this act of last year is a step

in the right direction.

BY COMMISSIONER MORRISON - When are they going to take the next step?

A. If I was running the Government, instead of being told what to do, I could tell you.

Q. But this brief is submitted on behalf of the British Columbia Government, the Department of Mines, and the man who made that sits at the council table of the British Columbia Government.

A. This presents the views of the Government.

Q. The Hon. Mr. Carson, I think it is. Surely they would have some views on the matter, and I would be interested to know what they were going to execute some of their own ideas.

A. This is a start.

BY MR. FRAWLEY - You are referring to the Coal Act of 1944?

A. Yes.

Continues brief

"The Coal Act" of 1944 is an advance in the general direction of conservation but it will take some time to fully appraise its value.

Technical Mining Personnel.

There is need in British Columbia for the provision of some efficient means of providing a more highly trained technical personnel for the future operation and direction of the coal mining industry and the full utilization of the coal produced. Correspondence Courses in mining provided in Alberta, the United States and in Great Britain are the only sources of instruction available to British Columbia coal miners who decide to study coal mining and while many have gained considerable knowledge and instruction from the above mentioned sources, the need for men with a higher standard of training in all branches of coal mining is necessary for the efficient and economical development of the remaining coal resources for the benefit of all concerned.

Provision for a course in coal mining at the University of British Columbia would meet this need for higher

technical training and if there should not be a sufficient number of students to justify such a course, some means should be devised whereby British Columbia coal mining students could be directed and assisted to attend a course of study in coal mining and coal research elsewhere.

Practically all of the 100,000,000 tons of coal produced in British Columbia since the inception of mining has simply been shovelled into fires and furnaces without any definite research or investigation into the possibility of obtaining the maximum efficiency or value of the coal as a fuel or from its possible by-products. The few exceptions to above are the new by-product coke ovens of the Crow's Nest Pass Coal Company Limited at Michel. The steam-electric plant of the Granby Consolidated Mining, Smelting and Power Company, Limited, at Allenby, and the new steam-electric plant of the British Columbia Electric Company Limited at Brentwood; the two latter plants using coal in the pulverized form.

The definite success of the production of gasoline from coal by the various hydrogenation processes in Great Britain, Germany, and probably Japan before the war, proves that any country which has sufficient coal resources can also be independent of outside sources of gasoline, and while the cost of the gasoline so produced was higher than the price of gasoline available from crude oil sources the research and experimentations during the war period in above countries can be confidently expected to have resulted in reduced processing costs.

The world-wide trend towards coal since the start of the war has definitely directed attention to the fact that coal is still the greatest reserve of potential power available and that efficient mining of the coal and its utilization by modern methods can produce heat and power at a cost sufficiently low to successfully compete with any other source of power.

The wide field of coal mining, coal utilization and its by-products, hydrogenation, carbonization, and the underground gasification of coal as reported from Russia, all point to the

need for highly trained technical men in the coal and allied industries if British Columbia and Canada as a whole are to reap the full benefit of the coal resources with which nature has so kindly provided this country.

The Report of the Royal Commission relating to the Coal Industry in British Columbia, published in 1938, contains much detailed data and information on the coal industry of British Columbia, and the factors affecting it, that apply equally well to the industry today if allowance is made for the increased wages, costs and selling prices of coal since the inception of the war. The attention of the Royal Commission on Coal is respectfully directed to the above Report.

TABLE C - COAL BROUGHT INTO PROVINCE OF BRITISH COLUMBIA
during ten-year period 1934 to 1943.

YEAR	ALBERTA	ALASKA & UNITED STATES	GREAT BRITAIN	GERMANY	CHINA	TOTAL
	Tons	Tons	Tons	Tons	Tons	Tons
1934	123,969	4,414	324	--	Japan 300	129,017
1935	214,650	7,249	2,684	--	--	224,583
1936	244,946	7,357	662	1	1,120	253,886
1937	269,286	3,755	--	--	--	273,041
1938	238,433	5,098	57	--	Japan 417	244,005
1939	239,813	4,226	--	--	--	244,039
1940	237,410	4,246	--	--	--	241,656
1941	303,846	2,215	--	6	--	306,067
1942	610,344	1,957	--	--	--	612,301
1943	963,000					

TABLE D. GENERAL DISPOSITION OF B. C. COAL, 1934--1943.

YEAR	Coal sent out of Province			Used in B.C. Industrial & Domestic	Used on Canadian Railroads	Total Market- able Coal
	To other Provinces	Export & Bunkers including U. S. Railroads	Total Shipped Cwt			
		Tons				
	Tons	Tons	Tons	Tons	Tons	Tons
1934	118,438	155,030	273,468	527,134	468,350	1,268,952
1935	130,615	163,708	294,323	473,908	347,637	1,115,868
1936	142,195	224,212	366,407	453,299	381,332	1,201,038
1937	101,341	279,762	381,111	510,350	355,083	1,246,544
1938	74,219	255,682	329,901	495,745	361,781	1,187,427
1939	97,779	361,055	458,834	501,330	428,834	1,388,998
1940	165,056	348,144	513,200	537,460	489,820	1,540,480
1941	253,690	228,129	481,819	532,407	648,689	1,662,915
1942	260,902	326,678	587,580	685,121	532,527	1,805,228
1943	196,446	294,540	490,986	818,452	362,287	1,671,725

COKE PRODUCED IN BRITISH COLUMBIA

1934 - 1943

YEAR	Coal used in Making Coke	Coke Produced
	Short Tons	Short tons
1934	53,641	24,839
1935	41,539	27,063
1936	52,355	34,009
1937	75,750	48,394
1938	86,615	54,601
1939	87,615	57,349
1940	99,028	64,962
1941	140,887	94,028
1942	143,853	96,157
1943	130,463	86,637

S.

-1845-

Jas. Dickson

YEAR	Crude Oil Imported	Fuel Oil Refined From Imported Crude	Fuel Oil Imported
1934	159,838,958	86,216,982	40,558,737
1935	174,285,803	110,502,613	33,841,118
1936	184,263,004	133,501,066	35,927,213
1937	208,486,205	162,000,000	34,124,814
1938	181,745,371	115,737,203	31,246,532
1939	195,655,506	118,227,819	22,350,923
1940	219,606,949	124,965,991	21,456,617
1941	197,726,646	113,036,923	43,697,328
1942	213,307,369	128,536,107	38,293,497
1943	222,761,449	121,094,030	31,834,235

ELECTRICAL ENERGY GENERATED
IN HYDRO ELECTRIC PLANTS
IN BRITISH COLUMBIA
(to nearest million K.W.H.)

1943	2,908,000,000 K.W.H.
1942	3,039,000,000 "
1941	2,777,000,000 "
1940	2,467,000,000 "
1939	2,324,000,000 "
1938	2,152,000,000 "
1937	2,103,000,000 "
1936	1,993,000,000 "
1935	1,881,000,000 "
1934	1,646,000,000 "

TABLE A
Coal Production in British Columbia
for the ten-year period 1934 to 1943
in short tons.

YEAR	Total Output Tons	Coal Sold Commer- cially	British Columbia	Alberta	Saska- tchewan	Mani- toba	Ontario	United States	Alaska	Canada Rail- roads	U.S. Rail- roads	Bunkers	Chile	Japan
1934	1,485,969	1,268,952	527,134	10,616	8,473	98,016	1,333	25,319	15,290	468,350	10,564	103,857		
1935	1,331,287	1,115,868	473,908	11,261	9,434	95,646	14,274	43,565	15,213	347,637	1,925	103,005		
1936	1,489,171	1,201,038	453,299	11,424	10,129	100,900	19,742	62,445	12,713	381,332	9,538	139,516		
1937	1,598,843	1,246,544	510,350	11,384	9,814	59,410	20,741	78,217	13,280	355,083	8,871	179,394		
1938	1,440,287	1,187,427	495,745	7,048	7,345	59,454	372	81,612	12,843	361,781	7,965	153,262		
1939	1,692,755	1,388,998	501,330	8,202	8,733	64,483	16,361	91,902	9,589	428,834	9,072	250,492		
1940	1,867,846	1,540,480	537,460	4,501	8,982	123,729	27,844	103,447	9,043	489,820	9,320	175,320	15,607	35,407
1941	2,020,844	1,662,915	532,407	9,914	8,820	165,021	69,935	120,805	6,313	648,689	10,290	90,721		
1942	2,168,541	1,805,228	685,121	13,536	11,401	189,331	46,634	184,929	14,315	532,527	14,669	112,765		
1943	2,040,772	1,671,725	818,452	19,797	11,698.	164,951	—	167,641	14,865	362,287	17,625	94,409		

TABLE A NOTE. The difference between total output and coal sold commercially consists of coal sold to employees, coal used under company boilers, coal used in making coke and loss in washing.

TABLE B
Men Employed, Salaries and Rates Paid
Average No. of days worked and man
days worked during ten-year period
1934 to 1943

YEAR	MEN EMPLOYED				SALARIES AND WAGES PAID				AVERAGE NO. DAYS WORKED PER YEAR				MAN DAYS WORKED			
	Wage				Total				DAYS WORKED PER YEAR				MAN DAYS WORKED			
	M	F	S	U	Salaries \$	Total Wages \$	GRAND TOTAL \$		S	U			S	U		TOTAL
1934	185	17	890	1959	3,051	462,894	2,900,190	3,363,084	238	208	211,853	407,048	618,901			
1935	188	16	786	1745	2,735	422,734	2,813,429	3,236,163	251	236	197,095	411,929	609,024			
1936	148	14	830	1809	2,801	386,890	3,173,091	3,559,981	270	255	224,155	461,883	686,038			
1937	148	13	880	1993	3,034	374,928	3,568,627	3,943,555	272	252	239,043	502,303	741,306			
1938	167	10	912	1921	3,010	447,488	3,089,466	3,536,954	248	219	226,041	421,645	647,686			
1939	132	11	870	1956	2,969	368,070	3,549,158	3,917,228	268	237	233,057	463,501	696,558			
1940	184	11	734	2049	2,978	417,740	3,547,222	3,964,962	280	249	205,828	510,398	716,226			
1941	173	14	653	1914	2,754	462,217	3,496,135	3,958,352	284	251	185,254	480,369	665,623			
1942	202	27	689	1881	2,799	550,048	4,079,059	4,629,107	295	276	203,536	519,838	723,374			
1943	225	27	546	2126	2,897	605,311	4,462,522	5,067,833	261	261	231,748	491,603	723,350			

Note: M stands for Male
F stands for Female
S stands for Surface
U stands for Underground.

BY THE CHAIRMAN - Mr. Frawley, are you satisfied that you have an accurate picture of what the coal operator in British Columbia has to pay to the Government or other taxing authorities on a ton of coal?

A. No, far from it, and I was opening up that taxation by asking Mr. Dickson. He kept putting into the record here what was in his own mind, but I think we want something much more complete, and I will try and approach the Government direct.

BY MR. FRAWLEY TO MR. DICKSON

Q. Mr. Dickson, in the various provinces of Canada, as you know, coal is leased under a variety of regulations?

A. Yes.

Q. This Commission must know how it is handled in all the various provinces of Canada, and we must have in much greater detail just what the situation is and has been through the years in this province.

A. Of the coal, irrespective of how the land is held.

Q. We do not want you to put it on the record now, but if you would prepare a memorandum for us.

A. We can give you definite information on that.

Q. If you would prepare a rather comprehensive memorandum on the various kinds of ownership and the revenues that are derived from that, plus the taxation that is imposed on the industry.

BY COMMISSIONER MORRISON - And let us get how much of that money the Province expends for the benefit of the coal industry.

BY MR. FRAWLEY - In this province there is no Mineral Taxation Act similar to the Alberta Act?

A. No, but they have an Act which fulfills the same purpose.

BY THE CHAIRMAN - I would like to see in that Memorandum too - I saw in the paper a few days ago a report of a statement made by the Minister of Mines of the Province that the owners of mines were subletting them and charging the new operators \$1.25 a ton as royalties or compensation. For example, if I had a

mine I could lease it to John Jones and he would have to pay me \$1.25 a ton on every ton of coal extracted. Have you any knowledge of that?

A. Not officially. But I understand in Nanaimo area in regard to some of the abandoned properties, there is a certain amount of recoverable coal on the fringes of the old mines, and I understand that some groups of men have acquired a working lease whereby they mine the coal on their own responsibility and the company charges a royalty.

BY COMMISSIONER MORRISON - Does your Department have to approve or know about the sub-leases?

A. No.

Q. In Nova Scotia if you had a lease and sublet it, the Department have to approve it.

A. No, it is not that way here.

EXM. OF MR. DICKSON BY MR. PLOMMER

Q. In the course of your evidence you made reference to the operations, I think, of the small man?

A. Yes.

Q. And the effect of such operations, I think as you put it, on the natural resources?

A. Yes.

Q. You know there are several lessors, they are not leasers, there are no leasers in the Nanaimo field, but you know there are several operations there, small men working pillar seams along the fringes of the crops?

A. Yes.

Q. In each case that is adjacent to old gobs?

A. Yes.

Q. You are familiar with the operations of Mr. McKeller?

A. Yes.

Q. Did you hear his evidence?

A. Yes.

Q. He also is recovering, or trying to recover, the balance of the pillar seams in the Cassidy mine. Do you agree?

A. Not altogether at the moment.

Q. Then he has got them?

A. At the present time he is mining a virgin piece of land.

Q. If he mined off of Canadian Collieries ground he would be mining into virgin territory?

A. Undoubtedly.

Q. And do you not agree that to allow a gopher type operator to mine in virgin land, he would impair the operations of a major operation later on?

A. I would not be favorable to any small operation of any kind wrecking the future approach.

Q. To virgin ground?

A. No.

4:15 HEARING ADJOURNED TO THURSDAY, MARCH 29th, 1945,

AT 10:00 O'CLOCK A. M.

ROYAL COMMISSION ON COAL

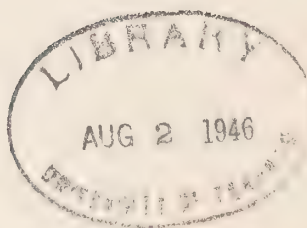
Vancouver, B.C.

March 29th, 1945.

VOLUME XXII

WITNESSES:

W. E. Robi.....	Pages 1853 - 1854
E. H. Rohrer.....	1854 - 1879
H. R. Plommer.....	1881 - 1890



Vancouver, B. C.

March 29th, 1945.

LIST OF EXHIBITS

- Exhibit No. 114 - Report presented by B. C.
Electric Power & Gas Co.
Ltd., Mainland Division and
Victoria.No. 1.....page 1854
- " 115 - Report presented by B. C.
Electric Power & Gas Co.
Ltd... No. 2..... " 1854
- " 116 - Submission of Coldwater
Collieries of Mettritt, B.C. " 1890

ROYAL COMMISSION ON COAL

Vancouver, B. C.,
Thursday,
March 29, 1945.

The Commission convened at the Court House, Vancouver, B.C., at 10.00 A.M. on Thursday, March 29, 1945.

PRESENT:

Mr. Justice W. F. Carroll, Chairman
Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary

BY MR. FRAWLEY: Mr. Robi wishes to make one very short correction in the evidence he gave yesterday.

MR. W. E. ROBI: I would like to set Mr. Morrison's mind at rest. The Monarch coal is shipped by the mine direct and invoiced direct to City Coal Company, and we just get the car numbers.

BY COMMISSIONER MORRISON: And the commission?

A No.

Q No commission?

A No.

Q Don't make a dime on that at all?

A No, we just get the car numbers.

Q Why should you get the car numbers if you don't get any commission on it?

A We get a notice of all the shipments that are made. They put this in.

Q Kind of fatherly interest?

A Sort of fatherly interest. We have nothing to do with that.

Q What connection is there between Coal Sellers Limited and City Coal Company?

A None. They are independent.

Q Independent of Coal Sellers?

A Yes sir.

Q So then when you said yesterday that you ...

A I was wrong.

Q Do the Monarch sell to anybody else in British Columbia?

A Yes, we sell Monarch to others in British Columbia.

Q Does Monarch mine sell coal to any other dealers in British Columbia?

A No.

Q But they just give you the car numbers?

A On City Coal, yes.

Q As a matter of friendly interest they send you the car numbers?

A Well, I don't know whether it is friendly interest or not. They come along with their car numbers showing shipments to Kelowna or Winnipeg or wherever the coal is going, and they put the day's shipments down and we get them.

Q You get a lot of numbers out of it anyway?

A Oh yes, we get a lot of numbers.

E. H. ROHRER Called. Examined by Mr. Frawley.

Q Your full name is what?

A Elwood Henry Rohrer.

Q And you are the manager of the gas department of the B. C. Electric Power and Gas Company Limited?

A That's right.

Q And as such you are here to present a report to this Commission? That will be Exhibit 114.

Exhibit 114 - Report presented by B. C.
Electric Power & Gas Co. Ltd.
Mainland Division and Victoria
No. 1

Q Now attached to that is another folder containing some statements and some graphs, and that is 115.

Exhibit 115 - Report presented by B. C. Electric
Power & Gas Co. Ltd. - No. 2

MR. ROHRER proceeds to read Exhibit 114.

The British Columbia Electric Power and Gas Company Ltd. was incorporated in 1926, the incorporation combining the original Vancouver Gas Company and the New Westminster Gas Company, both companies having their origin in 1886. When the New Westminster Gas Company was purchased in 1926 a gas main was laid from Vancouver through Burnaby to New Westminster to supply gas from Vancouver, and the obsolete gas plant at New Westminster was abandoned.

The growth of the system is best illustrated by the following statistics:

In 1922 the Company had installed 150 miles of gas distributing mains in the City of Vancouver to supply 20,000 customers.

In 1944 we had 590 miles of gas mains and 53,000 customers. During this time the gas sales had more than quadrupled, advancing from 500,000,000 cu. ft. of gas sold in 1922 to 2,150,000,000 cu. ft. in 1944. The increase, as a result of the war, is approximately 500,000,000 cu.ft., or one-quarter of the total increase.

The development in the progress of gas making equipment has been kept abreast of the new developments of the Gas Industry. The original installation comprised settings of horizontal retorts. In 1925 continuous vertical retorts were installed. Again in 1932-33 thirty-six gas chamber coke ovens were installed, which are capable of producing either domestic or metallurgical coke of good quality. In 1939 nine more gas chamber coke ovens were installed, making a total of forty-five coke ovens having a maximum capacity to carbonize 350 tons of coal per day. In 1929 two self-clinkering Humphrey-Glasgow water gas machines were installed, having a total gas making capacity of 3,000,000 cu.ft. of gas per day.

One of our chief problems over the previous space of years has been the difficulty of disposal of the coke produced and available for sale. The chief underlying cause for this condi-

tion is the high ash coke produced from the coals economically available for our use. It may be of interest to note that at present we compete in the same market with a coke also produced on the Pacific Coast which has an ash content of 10% as compared with our product with an ash content of 21%.

BY MR. FRAWLEY: What is that coke?

A Fontana, California.

BY COMMISSIONER MORRISON: Does it enter duty free?

A What I am referring to here is the Seattle market. We have enjoyed in past years a certain market down there. The Fontana plant is a new plant that was built during the war by Henry Kaiser and it was built to supply coke for his steel industry, which was also installed during the present war. If history repeats itself, as has happened in many other places, if there is a dearth in the steel manufacturing business that doesn't guarantee that that coke plant is going to slow down. As long as he has a market he is going to keep on making coke, and what we are afraid of is that he may in time to come not only sell coke to Seattle but if no moves are made there is nothing to prevent that coke from coming in here.

Q That gentleman has a reputation of finding markets.

A Yes.

BY COMMISSIONER McLAURIN: There is no duty on coke?

A It is duty free.

BY THE CHAIRMAN: Do you use British Columbia coal, or Canadian coal, entirely in the coke ovens?

A Yes sir. Up until two years ago all our coal was obtained from Canadian Collieries, but two years ago we started to get 25% of the coal we use, Michel coal, and this last winter the Canadian Collieries were not able to supply us with the 75% coal that we were getting from them and the balance has been coming now from Cadomin.

BY COMMISSIONER McLAURIN: It is what--low volatile?

A It runs around 23%, 24%.

Q There is a fair amount of ash in that coal too?

A Yes, the ash content is almost the same as Island coals; very little difference.

BY THE CHAIRMAN: And no doubt you have done all the things you could to get clear of sulphur?

A Yes. Of course with the gas industry sulphur is a problem and it is always advisable to get coal if possible that has as low sulphur as possible, because it reduces the cost.

Q I mean do you get some of it cleared out by washing your coal?

A Well, all the coal we use is slack coal, we do not have facilities for pulverizing, and there is no such a thing as washing slack. There is a dry-cleaning process but there is no such a thing as washing. If we had the facilities for crushing then of course it might be possible to get washed coal.

Q There is not much washing done?

A No, I don't believe there is any washing done; it is all dry cleaning.

BY COMMISSIONER McLAURIN: Crow's Nest Pass coal is washed.

A The slack from that I believe is dry cleaned.

Q Washed and dry cleaned.

BY MR. FRANKLEY: The Island coal of course is washed? You would get nothing but washed coal from them?

A It is cleaned. I am not sure whether it is a washing process or not. (Continues brief):

If we are to compete successfully with other fuels we must produce a product that is comparable to other available fuels.

I believe it would be of interest to this Commission and to the Industry as a whole if we were to convert our complete gas making capacity and future requirements to coal gas and not to water gas. In this manner much more coal would be carbonized and would release approximately 43% of the coal

carbonized in coke to the trade, the balance being absorbed in the operations of the plant.

BY COMMISSIONER McLAURIN: What is the difference between water gas and coal gas? I might as well find out now.

MR. ROHRER: Coal gas is produced by carbonization of coal. It is the volatile matter from the coal being driven off by the application of heat. Water gas is produced either from coal or coke, usually from coke, which is placed in a large container just like a large furnace, air is blown through this body of incandescent coke, the temperature raised as a result. During the time the air is blown through the waste products of combustion are released to the atmosphere. Then you come on to what is known as the "make" period. Your stop valve closes, stopping the release to the atmosphere, and instead of using air the air is shut off and steam is blown through this incandescent body of coke. That process produces what is known as blue gas, which has a B.T.U. value theoretically of 290 B.T.U.'s per cubic foot. The Federal requirements are 450 B.T.U.'s per cubic foot for domestic purposes, or better, then the value of the gas is raised from 290 by the spraying of oil over red-hot checker brick, forming an oil gas. This oil gas is mixed with the blue gas and thereby the amount of oil used controls the value of the B.T.U.'s in the ultimate mixed gas. That is known as water gas.

BY COMMISSIONER McLAURIN: Then you mix it with the other gas?

A It is mixed in the machine.

Q It is intermingled with the coal gas and goes into your mains as a finished product?

A That's right. You could make all water gas if you so desired. Ottawa for instance uses all water gas now. There is no coal gas now.

Q That is they start their process with coke?

A That's right.

BY MR. FRAWLEY: But when it comes to the consumer it can be some coal gas plus some water gas?

A That's right. Right now we are producing both. (Continues brief):

Previous to 1942 we purchased practically all our coal requirements from Vancouver Island (Western Fuel and Comox). These coals were costing in recent years \$4.28 per S. ton, F.O.B. the Island and delivered to our wharf in Vancouver, Western Fuel cost \$4.74 per S. ton and Comox \$4.83 per S. ton, the higher cost of Comox being due to a higher towage rate of 9¢ per S. ton. These costs are based on an ash content of 14%, with a penalty of 5¢ per ton for every 1% over and above this 14%. The coal supplied generally contained more than 14% ash, so our average cost actually shows in our books a lower figure per S. ton than stated above.

These costs were increased on December 1, 1943 due to the coal strike settlement by 70¢ per short ton. This now brings our average cost of Island coal to about \$5.40.

Incidentally, when the 70¢ strike settlement cost was added to our coal costs we were authorized at a later date (effective as from March 1, 1944) to increase the price of our coke residual sales by \$1.00 per S. ton. However, this did not offset the additional 70¢ per short ton coal costs for the simple reason that all our coke made is not sold, so that actually the Company is bearing most of this 70¢ per ton cost.

Due to the present hostilities and other causes, our supply of Island coal was curtailed and in an endeavor to make up our supply shortages we purchased quantities of coal from various sources, most of which contained high percentages of ash and not very suitable for gas-making, but the situation was such that we felt that we had no alternative but to buy this low grade coal.

However, the Dominion Fuel Board took the matter in hand and we were instructed to purchase quantities of coal, such as Michel and later Cadomin. These coals, unfortunately, carried quite a high freight rate (about \$4.20 per S. ton) which

brought the cost of these coals (delivered to Vancouver) considerably higher than our average price paid for Island coals. Or in other words, these coals were costing us \$8.22 per ton, compared with our Island costs of about \$5.40 per ton - or approximately 52% greater costs. This meant an increased cost for the coal, plus cost due to a lower gas yield with no prospect of any increased credit for our residuals made from such coals, such as coke, tar, etc.

As at this time our supply of Island coal would appear to be gradually diminishing and we are therefore forced to buy greater quantities of the higher priced coals. This, coupled with our increasing gas loads, most of which is sold for war industrial purposes, at low gas rates, is placing the Gas Department in a very difficult position.

The future production of coal gas and coke for this market will be governed principally by the type and price of coal laid down in Vancouver. The life blood of any gas and coke plant is the available supply of a good coking gas coal containing low percentages of sulphur and high fusion ash, or a series of coal which when blended will produce the same results.

The resultant coke would fill an important need in this Pacific Coast area, not only for a desirable household fuel but for such industries as:

- Production and treatment of metals
- Production of Carbonates
- Baking Industry
- Boiler Fuel, Etc.

The policy of the Dominion Government since the passing of the Domestic Fuel Act of 1927 has been to encourage the manufacture of coke in Canada and the consumption of Canadian coals. To be consistent in this policy and to aid British Columbia in the development of such industries as the metallurgical, mentioned above, Rocky Mountain coals (necessary for mixture with Coast coals to produce the requisite type of coke) should be made available in Vancouver and Vic-

toria. Such Rocky Mountain coals have been and are uneconomical to us because of the addition to their price caused by freight rates. What is needed is Government assistance in the reduction of the present \$2.82 spread in the price of local coals supplied to us compared with Rocky Mountain coals.

BY COMMISSIONER McLAURIN: Under the Domestic Fuel Act you are getting a bonus for coke?

A Yes, that's right.

Q What is that? I am acquainted with the Act but I have forgotten what it does provide?

A It provides \$1.50 per ton on domestic coke sold as such.

Q Isn't there a bonus on the coal converted into coke? Isn't that the way the bonus is paid?

A No.

BY MR. FRAWLEY: I am sorry. Off-hand I can't tell you. I have the statute and a statement from Mr. Neate on that.

BY COMMISSIONER McLAURIN: Anyway you come within the Act.

All the coke is Canadian coal?

A That's right.

Q You haven't any problem with the percentage, as they had in Montreal?

A That's right.

BY MR. FRAWLEY: That will run out? There is a time limit on that, isn't there?

A I understand it runs out in 15 years. We started operating in 1932, so 15 years would put it in 1947.

Q I think that Act also provides for capital assistance. Did you get some Government assistance at the time the plant was built?

A Yes. No, there was no capital assistance; that was a subsidy on coke. It is based on 4% of your capital or on your coke, one or the other.

BY THE CHAIRMAN: The only other assistance would be given if they wanted to use American coal--a drawback of 75¢ a ton.

BY MR. FRAWLEY: American coal is too far away?

A The coke made at Fontana that I referred to, I understand that is Utah coal.

Q That is quite a little jump, but it would be a bigger jump for you, wouldn't it?

A Oh yes. (Continues brief):

The alternative fuel for the production of gas is oil, which is an imported product. During the past year we used 817,000 gallons of oil for the production of gas, which if replaced by coal would have required an additional 25,000 tons.

BY MR. FRAWLEY: How much of your operation could you have carried on without coal at all? When you say "the alternative fuel" could you carry on any part of your operation without coal at all?

A Well, the water gas. It could be carried on without coal provided there was coke available. You would have to produce a certain amount of coke or buy coal to use in the water gas operation.

BY COMMISSIONER MORRISON: So it is correct to say that you couldn't get along without coal?

A No, that's right, although there are places down along the Pacific Coast that are producing oil gas and they don't use any coal. That part is true. (Continues brief):

The following information covers the eight points as outlined in the Notice announcing sitting of the Commission in Vancouver.

Some of this is repetition.

BY MR. FRAWLEY: Don't read anything that is repetitious, but some of that on page 7 should be put into the record.

MR. ROHRER reads from brief:

Some factors limiting Coke Sales may be outlined as follows:

The geographical extent of our markets is determined very largely by rail freights. We have found it possible to

supply the Seattle market, thanks to a low, special freight rate, while the discriminatory Canadian rail rates penalize coke as compared with coal to such an extent as to prohibit, for all practical purposes, the use throughout the interior of British Columbia.

As far as space-heating is concerned, the extremely mild winters at the Coast, and the competition of other fuels, have limited coke sales considerably.

Our industrial market in peacetime has been strictly limited. The considerable expansion which has taken place since war broke out will undoubtedly be lost again, at least partially.

The sale of breeze has been strictly limited by the lack of suitable equipment.

BY COMMISSIONER McLAURIN: What is that?

MR. ROHRER: Breeze is a fine, anything less than 3/8" or 1/4", all coke fines. (Continues brief):

An attempt to market fine breeze in the form of briquets did not prove any too successful. The large sale of breeze during the years 1942 and 1943 was made possible by supplying to electrical ferro-alloy smelters in the State of Washington. These smelters have since turned to a lower-priced and more suitable source of material.

BY MR. FRAWLEY: Why do you say it is not possible to market coke in the interior of British Columbia? You speak about discriminatory Canadian rail rates?

A Well, that refers mostly to the fact that coke has a lower bulk density than coal and it is almost impossible to get a minimum carload lot into a normal railway car, and naturally you have to pay minimum carload lot freight rates, so coke is at a disadvantage to coal in that respect.

Q You think otherwise you might find a market for coke in the interior of British Columbia?

A That's right. Looking at it from a post-war angle no doubt there is going to be considerable expansion in this section

of the country, and it is possible that there are some industries going to open up in some of those outlying districts which could very well use our product.

Q Now you say, "As far as space-heating is concerned, the extremely mild winters at the Coast, and the competition of other fuels, have limited coke sales." I suppose not coke sales any more than coal sales?

A That's right.

BY THE CHAIRMAN: Up to 1940 did you have much difficulty in marketing your normal output of coke?

A Considerable. There was one time, if you will check up in those graphs you will note that we used wood for making gas. That was purely an experiment to try and produce gas without making coke. The production of wood gas is probably practical but there would have to be considerable changes made to make it feasible.

Q Would you have any objection to telling us how the price of coke compared with the price of coal previous to 1940?

A I wouldn't be able to --

Q I mean the domestic fuel.

A I wouldn't be able to answer that question. I am a newcomer here and what has happened in the past, there is a great deal of it I am not clear on.

BY COMMISSIONER MORRISON: Perhaps you could tell us what price you were getting for your coke, and we have evidence of the price of coal. We could make our own comparisons.

A Well, of course prices vary considerably in the amount delivered. For instance, coke delivered in a 4-ton lot the price is \$11.25 per ton, and then a 2-ton lot it jumps up 25¢ per ton. A 1-ton lot is \$11.75.

BY COMMISSIONER McLAURIN: It is your ash content in this coke that makes it difficult, but the ash content is in the coal. Are the people not coke-minded here?

A Well, I am informed that we have no difficulty in obtaining

new customers. The problem is in holding the customers, and I think that is almost entirely due to dissatisfaction with the product.

Q Well, isn't it just as good as coal?

A Well, you see, in the production of coke we are using the coal that is available in this market. Now that coal contains say 30% volatile matter. The volatile matter is the part that we drive off in the coking process. We reduce say 2,000 pounds of coal to 1600 pounds of coke. Now in that reduction the ash is still there, we don't reduce the ash any, so the ash percentage is jumped from say 15% or 16% up to 21% just in the coking process, and that is the point that is the hard part to take.

BY THE CHAIRMAN: There is no means devised to get rid of some of the ash?

A Not yet.

BY MR. FRAWLEY: Just for the information of the Commission, LaSalle coke in 1939 had a volatile of 6, fixed carbon 92 and ash of 7. Now why is that product so acceptable in the Montreal market? You were with LaSalle till you came out here?

A That's right.

Q Why is that product so acceptable?

A Well, it compares very favorably with other fuels that are available there.

Q Such as?

A American anthracite and even British anthracite. In other words, you take the Montreal market. It has been said, and I think it is true, any fuel that is produced in the world comes into that port. It comes in more in the form of ballast for the ships, at very low shipping rates, and that is the reason it can compete with American coals coming in there. That plant started off producing or carbonizing 1200 tons a day. At that time there was practically no coke marketed in Montreal. The only coke available previous to

that was retort coke, and very little of that. The first few years they had difficulty in developing a market but since 1933 they have speeded up their operation. Right now they are coking pretty close to 1600 tons of coal a day there and their market is such that all winter long there is a string of trucks anywhere from 30 to 40 waiting in line at the screening plant for the coke coming out. That is their market condition right there today.

Q Suppose you had a coke here with a volatile of 6 and a fixed carbon of 92. What could you do with it?

A I think we would have absolutely no trouble getting rid of it, the amount that we would produce.

BY COMMISSIONER MORRISON: In fact you would have the trucks waiting too, likely?

A I wouldn't be surprised. In other words, there is no product of that type on this market.

BY MR. FRAWLEY: It would be really creating a new market, educating the people of Vancouver to a fuel of that particular kind. You think it would be quite suitable to this market?

A Yes, a good coke is comparable to an anthracite coal.

Q And your limiting factor would be the weather, the mild weather that takes only a limited quantity of that heat-holding fuel?

A Well, the surprising thing is this, the weather does not make a great deal of difference. It may be surprising to know that the average family in Montreal, where as everybody knows the weather gets darn cold, uses 2 3/4 tons of fuel per year, one of the lowest consumptions of coal I believe most anywhere, and I am satisfied--I don't know the figure of Vancouver here at present, but I am satisfied that fuel consumption per family here is considerably higher than that.

BY COMMISSIONER McLAURIN: Of course wood is an important fuel in Montreal.

BY MR. FRAWLEY: There is another reason: the style of the houses.

A That's right, construction of the house. They have a lot of flats that are built together, no exposed wall space, and the homes are smaller than here. I think with the warmer weather we have here the fuel consumption is high per family.

BY MR. FRAWLEY: I am a little bothered to know why you are not selling more coke out here. Even though your ash content is high it is not any higher than the coal?

BY COMMISSIONER McLAURIN: That's what he says; it is. You have driven off the volatile matter and the ash still left represents a higher percentage.

BY MR. FRAWLEY: In LaSalle coke all the volatile matter is driven off. Of course he has a better coal to start with?

A Very much better. They are getting some coals in there only 2% ash.

Q I rather thought from something you said you have quantities of coke you can't get rid of as fuel?

A That has been on occasion true in the past. Sometimes we have been able to sell all our product and other times we have not, and when we reach the point where we have trouble selling our coke why then we convert back to water gas, or as I said before they have even tried the use of wood as a fuel.

Q But what you are saying is to build up your market post-war you have got to get a lower ash coal?

A I am satisfied that is true.

Q Now you say that the coal you are getting from Cadomin runs about what ash when you receive it here?

A Runs around 15 to 16%. Really in the last month it has dropped a per cent or two.

Q And the coal from Crow's Nest Pass?

A Around 10%.

Q And from the Island?

A Around 16%.

Q And this percentage increases after you have driven off the volatile?

A That's right.

Q Well, even with Government assistance where would you expect the coals to come from? They would have to come from no further away than the Coal Branch, I would think?

A That's right. Unfortunately there are no comparable coals that we know of within easy reach of Vancouver which would compare to, we will say, West Virginia or Nova Scotia coals, but I believe there is an outlet to some extent in the preparation of local coals; I believe that that ash content could be reduced still further.

BY THE CHAIRMAN: Mr. Morrison suggests that is the reason you are getting a lower ash content from Crow's Nest; they have a washing plant there.

A Well, I believe that the ash content to start with is lower. There is no doubt about it, a lot can be done in the preparation of the coal.

BY COMMISSIONER MORRISON: What B.T.U. do you get in Crow's Nest Pass coal?

A You mean as coal?

Q As coal.

A Well, I can't answer you that question. I know there is one thing, that the volatile matter is lower in Crow's Nest Pass coal. In other words it runs something down around 22, 23%. Crow's Nest Pass coal is very good coking coal, but from a gas plant angle it has its drawbacks.

BY COMMISSIONER McLAURIN: It turns out a good metallurgical product with a minimum of gas, and what you want is gas?

A That's right.

BY MR. FRAWLEY: If you were asked what your objective was here, gas or coke, what would you say?

A I would say primarily our objective is gas, although I like

to believe that if a coke market could be developed here we could get in the same position as Montreal is.

Q You personally, whether the people of Vancouver are or are not, are coke-minded yourself?

A I personally am.

(Page 1871 follows)

S.

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E. H. Rohrer

Q. It certainly is not very promising, is it? First of all, have you a market for metalurgical coke or foundry cooke to any extent?

A. There is a slight market, and no doubt in the immediate future that market will increase. There is talk here also about the idea of establishing a steel industry.

Q. They build a lot of ships in the Vancouver area?

A. Yes.

Q. And they bring in all the steel?

A. Yes.

Q. Is it only in war time that they build ships?

A. They build some, but of course shipbuilding in Vancouver has boomed during the war, the same as it has in many other places.

Q. Now Mr. Rohrer, about all you can suggest is, or what you are really suggesting is, not so much government assistance, but to have people like Mr. Yorke and people up at Cadomin to get the ash content down?

A. Yes.

Q. Plus a little freight rate help?

A. Yes.

BY COMMISSIONER McLAURIN - But if you got the inherent ash content down.

BY MR. FRAWLEY - Break it all down and take out the ash.

A. I want to point out that whatever can be done in the cost of coal is a lot more effective than what can be done with the cooke angle, because the amount of coal that we use is considerably more than the cooke available for sale. Of course we hear a lot these days about freight rates, and I am keeping my fingers crossed that something will come out of this.

BY COMMISSIONER MORRISON - Mr. Rohrer you also show the dependence of your industry on Island coal?

A. Definitely. Island coal is, or should be, our prime source of supply.

Q. Now that you are unable to get it there, your costs are increased considerably?

A. That is right. That is true with gas costs particularly. The cost of gas manufacture has increased by 50% as a result, and gas costs, or prices of gas, cannot be changed unless they come before the Public Utilities Commission.

Q. Your Company must realize now that you have had to look for other sources of supply; that you were getting a pretty good deal on your coal from the Island?

A. That is true. I think we have always appreciated that.

Q. As a matter of fact I was looking over your figures, and it would really stand a little boost in the price and you would still be better off, that is in the price of the coal?

A. Of course if they would help us in regard to the ash content, then there may be justification for that.

Q. Or if there was another increase in the miners wages.

BY MR. FRAWLEY - You told us of this peculiar situation you had to face in connection with moving your coke inland, freight situation. Have you ever approached the railway companies for the establishment of a special rate because of the difference there is in the bulk density of coal and coke?

A. I doubt very much if any assistance could be gotten there, I don't know the history here, but that same condition is true elsewhere.

Q. LaSalle moves a lot of coke up to Ottawa and Kingston, and they had to face that disadvantage there. They took it up and they make an effort to get extra large equipment.

A. The fact that they have to do that is that they approached the railway companies for a lower rate when they used the ordinary freight cars.

Q. How much oil do you use in your operation here?

A. Last year, which was not the maximum year - I think we could answer that problem probably easiest by referring to Chart No. 2 in Section No. 2.

Q. That shows gallons of oil used?

S.

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E. H. Rohrer

A. Yes, for the past ten years.

Q. In 1943 you used?

A. One million two hundred thousand gallons.

Q. You dropped back in 1944 to eight hundred thousand. Why did it drop back so much there?

A. We changed our processes; they were using oil for spraying the coal into the ovens, which was not considered economical from an oil consumption basis, due to shortage of oil, and we were advised not to use that process.

Q. It is not burned as fuel?

A. No, just in processing.

Q. In thousands of dollars, what would your oil bill be, even approximately?

A. Well we pay around $8\frac{1}{2}\text{¢}$ a gallon, so that could be calculated; 8.4¢ a gallon.

Q. That would be about what?

A. \$67,200.

Q. So it looks as though your oil bill in 1944 was about \$67,200. You buy all your fuel oil locally, do you?

A. That is right.

Q. And if you didn't buy it here locally, where would you be buying it?

A. We would have to buy it elsewhere, probably down in California.

Q. That is the natural elsewhere, is it not, in this area?

A. That would be closer.

Q. If the price of fuel oil was increased on you here by operation of any particular mechanics, what would be your reaction to that?

A. We would want to know the reason, and whether it could be procured elsewhere any cheaper or at the same price.

Q. And you would only pay the increased price here if you were unable to bring it in? You would not pay the increased price if you could bring it in at a cheaper price?

A. No, that is right.

Q. There has been, from the Government Exhibit filed yesterday Ex. No. 113, quite a lot of fuel oil imported here from 1934 to 1943, and just for the record let me read this to you. The approximate percentage of imported fuel oil to total fuel oil consumption runs like this: In 1934, 32%; in 1935, 23.4%; in 1936, 21.2%; in 1937, 17.4%; in 1938, 21.2%; in 1939, 15.9%; in 1940, 14.6%; in 1941, 27.8%; in 1942, 22.9%, and in 1943, 20.8%.

BY THE CHAIRMAN - That is the percentage of fuel oil brought in as compared with what?

BY MR. FRAWLEY - With the total fuel oil consumption. That is the fuel oil that was brought in (presumably from California) as compared with the whole of the fuel oil consumed in this area.

EXM. OF MR. ROHRER BY MR. FRAWLEY (continued)

Q. If the price was increased by means of an import duty which would prohibit you reaching the California market, and you were compelled to pay a higher price for fuel oil here, then what would be your situation Mr. Rohrer?

A. It would raise our costs depending on how much oil we used.

Q. A point would be reached when it would increase your costs?

A. Yes.

Q. And that would mean what in your business?

A. Charging higher for the product.

Q. And that would have what result?

A. It would really come back to the price of gas to the customer.

BY COMMISSIONER McLAURIN - You could use coal?

A. It would depend on our processes, depending on our market, and if we were unfortunate in selling our coke, then the price no doubt would have to be tacked on to the cost.

Q. And you would have to keep putting the cost up?

A. We are controlled in that of course by the Utility Board.

Q. And you could not increase that without consulting the Utility Board?

A. That is right.

Q. Assuming you got that permission?

A. Well there is a ceiling to what you can get for your gas.

The ultimate consumer is governed by his fuel bill, and if he can get cheaper fuel.

Q. What else can he be switched to?

A. Electricity probably.

Q. Your own company would be glad to supply him with that?

A. No doubt.

BY COMMISSIONER MORRISON - On that score, if it was in the interests of the general economy of the province of British Columbia, you would have no objection to the price of oil going up any more than perhaps the price of your own product? In other words you would not place your industry, The British Columbia Power & Gas Company, its interests against the general economy of the Province?

A. After all you don't want to be a martyr to the cause.

Q. You would like to go along with the rest of the people as to the greatest good to the greatest number? And to the general economy?

A. It is reaching the Utopia.

Q. Suppose Fuel Oil put the Canadian Collieries completely out of business, would you not be in a better position to pay a few cents more for the little oil you buy, than having to pay \$2.22 more for coal to substitute for Island coal? That is a straight business proposition.

A. Providing the Vancouver Island would supply us with a low ash coal.

Q. You told Mr. Frawley if oil went up it would have a serious effect on your industry. Suppose the same fuel oil put the Island mines to the point where it was not economical to operate those mines and caused them to close down. You couldn't get that coal, and you would have to go to the Rocky Mountain division and pay more for it. Would it be profitable for you to pay a little more for the fuel oil rather than have to go to the Rocky Mountains for your coal?

A. There is a certain point you would reach there where it would balance.

Q. No question of that?

A. No.

BY SENATOR FARRIS to Mr. Rohrer

Q. Is fuel oil necessary for your operation?

A. Other than the manufacture of gas which could be disposed of provided we get market for our coke, we would still require a small amount of oil to remove naphthalite from the gas.

Q. Would it not be the position that if the price went up you would use less?

A. We use now as little as it is possible to you providing our coal gas prices are lower than water gas prices. At present they are, I might say.

Q. If the price of oil went up your water gas price would go up?

A. Yes.

Q. But it would not affect your coal gas price?

A. Very little.

Q. If the water gas price went above your coal gas price, it would mean you would produce more coal gas.

A. Yes.

Q. So that it would not necessarily mean that the whole cost, the increase in fuel oil, would be charged against your operations? You would find it cheaper to use the coal for the production of gas?

A. Yes. In other words the price of coal is going to affect our industry to a very much greater extent than the price of oil.

Q. I want to ask you this question. You have given the figure of \$67,200 for oil. In the same year how much did you pay for coal?

A. About ten times that.

Q. Now is it not a fact Mr. Rohrer, that a duty which would give the coal of this province some protection, could be put on without seriously interfering with your activities?

BY THE CHAIRMAN - Duty on what?

BY THE SENATOR - On the oil product.

A. Well that again is based on the amount of oil we would have

to use. * True enough the cost of the oil which we used is, as compared with coal, quite low. It is only at present about a tenth, and I would say this, at present we are using considerably more oil than we might use if the war-load goes off, say.

Q. Apart from that altogether, if the price of fuel oil was increased by a customs duty, you could, by adjusting your process and using coal gas, go on with your operations without a very serious interference?

A. I would say yes, with qualifications.

BY THE CHAIRMAN - Would that not be bad for that particular industry in British Columbia, the oil industry? A serious matter for the oil industry, the refineries here, to put a duty on crude oil?

A. On refined oil, yes.

Q. The coal people are not looking for a duty on the raw oil?

BY SENATOR FARRIS - The brief I filed yesterday of ten years ago, will show that the basis of complaint there largely is that they bring in a very low type of crude oil here with a very large percentage of fuel oil and a small percentage of gasoline, and if you read the figures there you will find a tremendous disparity between fuel oil and gasoline in this province and in all the other provinces of Canada. That is one of the things that is being worked and has continued to do so, and it might or might not require some duty on the crude product to take care of it. I don't know.

BY COMMISSIONER McLAURIN - You will always need some oil in your processing. The more you go to coal the more coke you have, which is a problem to dispose of, and your experience is that you have not a ready market, so you have to go to the water gas process and that always needs some oil?

A. That is right.

BY MR. FRAWLEY - This paragraph you have at the bottom of page 7, that is everything you are submitting to the Commission on the by-product you have between the coke and the gas in the mains?

A. That and tar.

Q. Have you something else on tar?

A. Yes, on the next page.

Q. Are you doing all you can on these other by-products? Are you going as far as you think you economically should?

A. That is right.

Q. You think to go further would involve large capital expenditures and put you into the chemical industry?

A. A number of years ago we did produce nitrate, until Trail went into the manufacture of nitrogen, and when they did that the price of fertilizer dropped down to the point where it drove us out of the market.

Q. And you don't do any refining of the tar acids at all?

A. No.

BY THE CHAIRMAN - You have no trouble in selling all your tar products?

A. No, we have not.

BY MR. FRAWLEY - Is not some of it used for a wood preservative out here?

A. Not that I know of.

Q. Have not the Dominion Tar & Chemical a plant?

A. That is right. They buy a certain amount of our tar and creosote oil. That is for wood preserving I imagine.

Brief Continued

"Ammoniacal Liquor"

Due to the depressed world market for nitrogen, the manufacture of sulphate of ammonia was found uneconomical, and we have concentrated on the sale of 25% liquor. The only buyer for this commodity in British Columbia is CIL, who originally purchased this liquor for the manufacture of ammonium nitrate at their James Island Plant, which has been discarded lately, as uneconomical. CIL have since used our liquor for the manufacture of low-analysis ammonium phosphate, in their New Westminster Plant.

Tar

Tar is being sold exclusively for road building and for the use and the manufacture of roofing products. For some years past we have not encountered any difficulties in disposing of our product.

Cinders

Our total production of cinders has been finding a market as fill, as foundation for roads, and in general construction.

VICTORIA GAS COMPANY

With reference to your counsel's letter of March 5th we take pleasure in submitting the following statements in response to the alphabetically arranged subjects on which information is desired:

- A. This utility which was acquired by the B. C. Electric Railway Co. Ltd. in 1905 was incorporated in the year 1860 and has continuously supplied gas in the City of Victoria. In 1933 the supply of gas was extended to the Municipalities of Oak Bay, Saanich and Esquimalt.
- B. Stop and horizontal retorts were used until 1922 when an installation of 16 continuous vertical retorts was put into operation, the manufacturers rating being 640,000 cu.ft. of gas per 24 hours when carbonizing 40 long tons of coal.
- C. Due to the continuing increased demand for gas since the outbreak of hostilities, all coke produced is now required in the operation of the auxiliary water-gas sets, there being no surplus of coke for the domestic market.
- D. Coal is purchased from the Vancouver Island Coal Co. and is supplied in approximately equal proportions from Nanaimo and Union Bay at \$4.90 per short ton f.o.b. mine tippie. The laid down cost into stock pile is \$5.55 per short ton.

A representative analysis of the coal used is as follows:

S.

-1879-

E. H. Rohrer

<u>As Received</u>	<u>Nanaimo Wellington</u>	<u>Comox</u>
H ₂ O	7.3	6.5
Ash	14.9	16.6
Volatile Matter	32.3	30.1
Fixed Carbon	45.5	48.8

During the years 1943 and 1944 the coal gas facilities were operated to maximum capacity of production of gas and coke for the whole of such period without interruption for repairs.

	<u>1943</u>	<u>1944</u>
Coal carbonized	13,194	12,802
" used in boilers, coal gas plant		
" " " " water-gas plant	955	1,981
" " " " heating plant	109	110
Total coal used (short tons)	<u>14,258</u>	<u>14,893</u>
Coke used in producers - coal gas	3,946	3,843
" " " manufacture of water gas	2,048	2,573
" " " boilers, coal gas plant	252	296
" " " " water gas plant	620	693
" " " " heating plant	394	346
Coke dust	<u>749</u>	<u>666</u>
Total coke used (short tons)	<u>8,909</u>	<u>8,417</u>
Total coke made (short tons)	8,105	8,210

Purchased Coke

Coke sales (local market)	564	1,033
Coke used in manufacture of water gas	659	532
" " " boilers, water gas plant	16	-
Coke dust	<u>19</u>	<u>56</u>
Total purchased coke used and sold	<u>1,258</u>	<u>1,621</u>

G. Tar

Coal tar made	105,850	119,954
Water-gas tar made	<u>48,980</u>	<u>62,792</u>
Total tar production (Imp. gals.)	<u>154,830</u>	<u>182,746</u>
Coal tar sales		46,224
Water-gas tar sales		<u>57,271</u>
Total tar sales (Imp. gals.)	<u>189,903</u>	<u>103,495</u>

Principal local uses of tar for roadwork, paint industry, roofing felt, tar paper.

BY THE CHAIRMAN: Thank you, Mr. Rohrer, that was a very interesting brief.

H. R. PLOMMER (Re-called) EXD. BY MR. FRAWLEY

(Mr. Plommer is sworn in regard to the facts).

Q. There were a few things that I wanted to ask you Mr. Plommer. On page 15 of your brief, Exhibit 82, you say that "liquid fuel is unceremoniously dumped into this market". First of all perhaps I should ask you to define the words "liquid fuel". Are you referring there to fuel oil, or to the crude oil?

A. We are referring more to fuel oil.

Q. And then "unceremoniously dumped", what do you mean by that, having in mind speaking of fuel oil?

A. There is a paragraph in that brief that refers to our argument as not being applicable under war-time conditions. I don't suggest it is dumped today.

Q. Then ordinarily, eliminating the war-time situation, in 1939 if you like, you say "liquid fuel was unceremoniously dumped".

A. I say they make any price to get the business.

Q. You say liquid fuel was unceremoniously dumped? That must be that the California fuel oil is dumped.

A. Perhaps that is not a good very to use, but you know what I mean.

Q. We only speak of things being dumped from outside?

A. They dump from outside or inside.

Q. You do say that the California manufacturers of fuel oil unceremoniously dumped their product into this market?

A. They have been known to do so.

Q. Is that the ordinary situation? Is that the thing that you really fear, that you really have to face.

A. Are you speaking from the standpoint of dumping duty?

Q. That is something that comes over an international barrier.

A. I am not speaking of that way.

Q. You were speaking of the fellows that make it locally?

A. They are all the same, whether it comes via crude oil or

direct as fuel oil, it really makes no difference, and if you cut prices below what we would call an economic level, I would say it was being dumped.

Q. With this explanation, what you mean is that the crude oil is dumped in here, and that the fuel oil that is made here is dumped in the sense that it is sold at ruinous prices? That is what you mean?

A. Yes.

Q. I want to know all you mean?

A. Yes; and it is also dumped in the way you refer.

Q. It is also dumped in that the manufacturers in California bring it up here and dump it at ruinous prices?

A. That is my opinion.

Q. As to that, there should be some help from the anti-dumping laws. What do you say about that?

A. There should be.

Q. Because if they sell it, you cannot reasonably call it dumping, if they sell it at the California price built up by carriage, and harbor dues, etc. You could not call that being dumped in the way we ordinarily understand the word.

A. If they did that, perhaps you are right. I can tell you of a sixty thousand ton contract that went out of this market and they gave them a blank contract and told them to write their own ticket. That was sold locally for a California Company.

Q. The fuel oil was made where?

A. It started moving from California, and later they would pull it from any source that was most convenient. Where it originates does not make any difference.

Q. What was the name of the sellers of the fuel oil?

A. Standard Oil Company, California, buyer Pacific Mills, Ocean Falls.

Q. And the Standard Company started to move it from their California operation, and later supplied some from their local operation?

A. I think the first shipment moved from Richfield, which

they were in the process of acquiring.

Q. And then later supplied from their own plant?

A. They swung it around, and if they could get it from local refineries they simply traded off.

Q. The Local Government here, after having received the McDonald Report, passed a Statute which placed in Dr. Carrothers' hands the fixing of prices for petroleum products?

A. Right.

Q. And he did fix the price of gasoline?

A. Yes.

Q. Did you ask him to put the price of fuel oil up to help you?

A. Yes.

Q. What did he say?

A. Prices were approved at that time, and I suppose he didn't figure that any increase was warranted.

Q. Fuel oil has continued to come in year after year, the foreign product?

A. Yes.

Q. And Dr. Carrothers cannot do anything about that?

A. On its retail price here?

Q. Yes?

A. I don't see why not.

Q. I don't think he could fix the price on what comes in here from California? I think he realized that limitation himself.

A. The fuel oil that is brought in direct as such, that pays the provincial half cent tax. What is the difference?

Q. I am suggesting to you that probably Dr. Carrothers could not fix that price. Assuming that he could not do that, perhaps that was a reason why he did not fix the local price.

A. I don't know.

BY COMMISSIONER McLAURIN - In any event you did ask him to fix a price higher than that prevailing in 1939, and he declined to alter it?

A. Yes. There is no fixed price anywhere; there is a price for every job.

BY MR. FRAWLEY - If Dr. Carrothers fixed the price, we would have to leave it to him to see that his order was not departed from.

BY THE CHAIRMAN - It may be with the coming of the war, the change which the witness says took place since the war - his complaint is pre-war.

BY COMMISSIONER McLAURIN - This is an application which Mr. Plommer made pre-war.

BY MR. FRAWLEY - I am talking of 1939.

BY MR. PLOMMER - What the Chairman says is that by the time they got around to do anything the war was on us, and then it was not a factor. Today you can sell anything.

BY MR. FRAWLEY - But you did do what was the most obvious and immediate thing, you applied to Dr. Carrothers to lift this price of fuel oil and have done with this bogy that was ruining your industry. At any rate he didn't do it.

BY SENATOR FARRIS - Was he asked why?

A. Yes.

BY SENATOR FARRIS - My impression is that as soon as he put one up he got tangled up in an injunction, and when they got that cleared away the war was on.

BY MR. FRAWLEY - He did say if he tried to do that it would throw a lot of industries out of balance here that were geared to fuel oil, and I said, you mean they would simply buy past you and go to California for the oil.

BY SENATOR FARRIS - I know the other situation existed.

BY MR. FRAWLEY - Mr. Plommer, this is the simple fact. You say the only effective way to deal with this is to put a Federal Customs Tariff impost on the fuel coming in from California, and the crude oil also?

A. Yes.

Q. You realize that any attempt to deal with it locally and provincially won't be effective?

A. It would probably be challenged.

Q. And you know if that tariff went on it would be from Cape

Bretton to Vancouver Island?

A. That is all right.

Q. You know it has to do that?

A. Yes.

BY THE CHAIRMAN - We have heard of regional duties.

BY MR. FRAWLEY - We talked about one in Alberta for oil, and all we did was talk about it.

BY MR. PLOMMER - The protection of the furniture industry in California comes out of British Columbia pockets just as much as their own.

BY MR. FRAWLEY - What you say is that the coal industry in British Columbia (and you may be right) is entitled to be protected by a customs duty on fuels which are competitive to it.

A. No use putting it on the fuel oil unless on the crude oil also, but the country does need the gasoline and we have not it here. When an Iron Smelter in Ontario brings in coking coal to make coke for use in their smelter, they get a 99% drawback because it is desirable.

Q. That is regional tariff.

A. Yes. And I think if you say 2¢ a gallon on fuel oil and crude oil, you could give them 99% drawback on the gallonage which the gasoline represents.

Q. Now you want that import duty high enough that the fuel oil will be taken out of the market?

A. Not at all.

Q. Why? How far do you want it to go?

A. As long as we can live.

Q. I want to see what the results would be. The C.N.R. and the C.P.R., and the Pacific Great Eastern operate with fuel oil?

A. Yes.

Q. Would the import duty you have in mind be of such a size that the P.G. & E. would say we have to burn coal?

A. Well the stronger you make the market the better it would be. There is no reason why they cannot burn coal now.

Q. That is the P.G. & E. But the national railways also burn

a lot of fuel oil.

A. I told you why that was in the brief.

Q. What you say is that they could do what the Pennsylvania Railway can do, they can develop coal-burning locomotives.

A. The Public Utility stock is off, they have a protected position and can arrange a franchise that is good for 50 or 100 years, and they know where they will land. You were out at No. 8 mine in Cumberland. We have a million dollars there. Inside of 10 years we will have to sink again and they will be deeper shafts; then inside of a couple of years diamond drilling and the work of sinking shafts and equipment, and then you develop your mine and approach a point of production. It will be a million dollars to equip two more shafts in the Comox area. Would you do it with this hanging over your head? That is why we have to have protection.

Q. All I am concerned about is developing how much violence it is going to do, if any, to the general Canadian economy. Because that is public interest. You say we want it to a point where it will force these railways to abandon the use of fuel oil?

A. Not necessarily.

Q. Do you want them to use some fuel oil and some coal?

A. I don't know, so long as we can develop our own resources, and can make a little, and the workers can live in decent comfort.

Q. Perhaps I am a little stupid about what it would do to these railways.

BY COMMISSIONER McLAURIN - You don't need to force the railways out. Just put it up where domestic users will use coal and their problem will be taken care of.

BY MR. FRAWLEY - You say you would put it up to a point where it would still come in?

BY COMMISSIONER MORRISON - If people want to pay the price for a luxury fuel, let them pay it.

BY MR. FRAWLEY - All you want to do is to establish a greater differential than there is between fuel oil and coal, and make the people pay considerable more for the fuel oil, and let it move in the market but at a considerably higher price?

A. Yes.

BY SENATOR FARRIS - Has there been any reason given that you know of why the railways need to burn fuel oil in British Columbia and not in other parts of Canada?

A. The real reason is that they have bought it at such a low price.

BY THE CHAIRMAN - Don't they find it more efficient in the Rocky Mountains?

A. They adopted the big locomotives, and today we are building just as big locomotives as those oil burners.

BY COMMISSIONER McLAURIN - You say one of the reasons is that it affords the forest areas more protection?

A. Yes.

BY COMMISSIONER MORRISON - You burn coal on the E & N?

A. Yes. You mean our own?

Q. Yes. And you go through some forests over there?

A. Mostly slash.

Q. Has it ever been shown that the burning of coal on that little railway has been a fire hazard?

A. It has never cost us a nickel.

Q. So if this coal was so dangerous it would show some of the danger in that area?

A. I would think so.

BY THE CHAIRMAN - I think they have overcome that; they have to build their smoke stacks on the cars so as to overcome that hazard. I know they have in some parts.

BY SENATOR FARRIS - When this Tariff Board sat here there were witnesses who testified how dangerous it was to burn coal on the railroads, and a few years after we had a big fire and the same witnesses went into the box and testified how dangerous the oil was.

BY MR. FRAWLEY - Does the E & N burn coal?

A. Oil.

BY MR. A. M. RICHMOND - About 14 or 15 years ago the Department of Mines in Victoria made an investigation on the use of oil and coal burning locomotives in the woods, and I believe the purpose was to increase the use of British Columbia coal on the railways. Mr. Galloway was in charge of that as a member of the Fuel Board of the British Columbia Government, and I think he was in favor of using coal. Do you remember that investigation?

A. Yes.

Q. But they have never changed from the oil to the coal although it was recommended.

BY COMMISSIONER MORRISON - You are familiar with Volume I of the McDonald Report?

A. In a general way.

Q. Aside from any change caused by the war, the situation is very much the same as at the time that investigation was made?

A. Yes. The war boom aside you mean?

Q. Yes?

A. Of course it is actually not the same, because those conditions have changed.

Q. In your anticipation of the post-war period, that analysis made by Mr. McDonald would be correct?

A. Yes, he supported that theory.

Q. And as far as you can judge, looking into the post-war period, you would be satisfied to let your cause rest on that decision?

A. Yes sir. Of course the method of application..

Q. I am not talking about the economics of it, merely about the principle.

BY COMMISSIONER McLaurin - I want to ask a question on another field. Before you leave this business of oil burning locomotives, can anyone tell us whether there is any stated provision in the

Railway Act, or Order-in-Council, or Regulation, as to equipment on railways?

A. In our brief we refer to a Dominion Regulation. I cannot give you reference to Order-in-Council or Statute, but it is the Forestry Branch, I think it is the branch of the Transport Department and their offices are in the Union Station opposite the Chateau Laurier. I have been up there and we have fought this thing out ten years ago. Their regulations are not prohibitive, but they are such that provide for patrols and these chaps won't use them.

BY THE CHAIRMAN - We don't have them in the Province of Nova Scotia, the railways are said to be national railways and we have legislation there, and I think in New Brunswick.

BY MR. R. H. RAND - I will check up on this section of the Railway Act.

BY MR. FRAWLEY - You would not be able to say whether you think this price on fuel oil has got to go upwards to help your industry?

A. I think we gave that a little study. I don't think this is the time to do it. We are living in a very abnormal time. I think this is a job for this Commission.

Q. This Commission has to say how far up we should put the price, and perhaps a supplemental brief from you would be very helpful.

A. I think we could give you some help.

BY SENATOR FARRIS - How long ago was that deal with the Ocean Falls Company?

A. I think 1927 or 1928.

Q. At that time the fuel supplies were entirely coal?

A. Yes.

Q. Did they have a contract by the year?

A. Two years at a time.

Q. With what company?

A. Granby.

Q. And when it expired and before it was renewed the oil came in?

A. Yes.

Q. And what do you say they did?

A. They gave them a blank contract and told them to fill it up themselves.

BY COMMISSIONER MORRISON - You were with Granby then?

A. Yes, Treasurer of the Granby Consolidated and in charge of Coal Sales.

BY MR. FRAWLEY - What year was that?

A. 1928. I was with them from 1925 to 1930, and this was just about the middle of the time.

Q. Did they have posted fuel oil prices here then?

A. No, but they did in San Pedro.

Q. Was that before the refinery operations were commenced here?

A. No.

Q. But they didn't have any posted fuel oil prices at that time?

A. No.

Q. Now they have, I suppose?

A. I don't know. They probably have them posted with Dr. Carrothers.

Q. But they break that posted price from time to time for a large consumer? That is not an unheard of thing?

A. Oh no.

Q. That might even happen in the coal business?

A. We don't ever lay down without a fight.

BY MR. FRAWLEY - I think I am bound to file with the Commission a submission made by Coldwater Collieries of Merritt, B. C.

Exhibit No. 116 - Submission of Coldwater Collieries of Merritt, B. C.

Exhibit No. 116 reads as follows:

1. There is an estimated 10,000,000 tons of coal in this property. 2,000,000 tons have been recovered, which leaves a vast amount of coal still to be extracted. This estimate is based on Government reports.

2. The closeness of this coal to railway transportation is excellent, at one point 50 yards, and farthest point one mile.

3. Motor transport is excellent but I would advise that a freer use of government equipment to keep these roads in good repair would be a great help to Coldwater Collieries, and also to coal consumers in Morritt and outlying districts.

As this coal field is situated in the famed Nicola Valley and site of the town of Morritt, B.C., which at one time had a population of over 2000, and now just half of the above figures; it goes to show the decline taking place in the town of Morritt, which is purely and simply a coal town.

As I said before, government help in the matter of roads, help in markets, and a small subsidy to help machinery etc. etc. would be a God-send to the town of Morritt in particular, and Nicola Valley and British Columbia in general.

COLDWATER COLLIERIES

(Sgd) Alex. D. Allen

Manager."

BY THE CHAIRMAN - That is the end of our taking of evidence here, and I feel that I am expressing the views of the Commission when I say that we have received very valuable information from the various sources here, which is very interesting to the Commission, and very informative.

The Commission of course are not in a position to make effective any of their recommendations, or anything of that kind, but so far as this Commission is concerned, anything that we think will be helpful for the coal industry, taking it as a national matter, we will be glad to make any recommendation we can not only to help out the industry, but those who work for the industry, and which will help out the general economic situation in Canada.

11:40 A.M. HEARING ADJOURNED



ROYAL COMMISSION ON COAL

Calgary, Alberta.
Tuesday, April 3, 1945.

VOLUME XXIII

WITNESSES

Pages

C. Stubbs and T. Ewart 1953 - 1998



LIST OF EXHIBITS

- No. 117 - Brief of the Western Canada
Bituminous Coal Operators'
Association Page 1895
- No. 118 - Statistics of Coal Produc-
tion and Breakdown of Market
Areas 1918
- No. 119 - Summary as to Procedure by
which Cost of Living Bonus
was introduced, developed and
finally rescinded 1934

ROYAL COMMISSION ON COAL

Calgary, Alta.
April 3rd, 1945.

The Commission convened at the Court House,
Calgary, Alberta, at 10:00 A.M. on April 3rd, 1945.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman.

Hon. Mr. Justice C. C. McLaurin, Commissioner.

Angus J. Morrison, Esq., Commissioner.

J. J. Frawley, K. C., Commission Counsel.

Robert D. Howland, Secretary.

BY HON. MR. N. E. TANNER - Mr. Chairman and Commissioners;

I have the privilege and pleasure of bringing you the greetings of the Alberta Government. We do wish to welcome you to ~~our~~ Province, the coal province of Canada, and if it were an oil' Commission, I would say the oil province of Canada, and if I were speaking to a Tourist Commission, I would say the Tourist province or the province where we have all the things that would entertain tourists and make them enjoy their stay here. In fact I hesitate to limit it, I should say the province of Canada, and we are glad to have you here.

We realize the importance of the Commission you have, and the work you have to do, and we would like to invite you, when you finish the arduous task, that you take a little holiday in our province and enjoy the beautiful things here.

We do have in Alberta, as you will find out more definitely, coal, oil, gas and water power and the things that are necessary to success in the development of industry. We have those here, and we feel the importance of them in our province.

There have been several Commissions set up to inquire into the coal question, which shows that we view it as one of the big problems confronting Alberta, and you will remember a year ago we had what we called the Alberta Coal Committee. That

Committee was made up of representatives of the Provincial Government, the Industry, the Operators and the U.M.W. of A. We felt the question of such importance that we organized this Committee and spoke to the Dominion Government with one voice regarding the problems confronting us. At that time we were advised that the Dominion Government was setting up a Royal Commission. We were very pleased to get this advice and certainly do welcome the setting up of the Commission as it is today to inquire into these questions.

I am advised that you will have submissions from different Associations, the Bituminous Coal Operators' Association, the Domestic Operators' Association, the U.M.W. of A., and other organizations and individuals. I am confident that they will give you the best information they have, and I can assure you that while here we shall be only too pleased to give you the very fullest co-operation and assistance wherever possible.

We feel that the future of the coal industry in Alberta will depend to a very great extent on your findings and recommendations, and the implementation of those recommendations by the Governments concerned. And therefore we are prepared to give assistance wherever possible in the work you are doing, and we hope your stay here will be pleasant, and I can assure you that our Premier is looking forward to greeting you when you come to our capital city.

BY THE CHAIRMAN - On behalf of the Commission, I want to thank the Hon. Mr. Tanner very warmly and cordially for the nice address with which he has favored us this morning, and his hopes as to what this Commission may be able to do. In that regard, speaking for myself, I can only say I am human, and humanity has its weaknesses, its sphere of action, etc. etc.

I am glad that the honorable gentleman has brought to my attention that Alberta does not consist alone of the city of Calgary. Coming from East to west it has been impressed

upon me by my two good friends here, I don't know whether they intended it as such, perhaps my powers of inference are not so good, but I did reach the conclusion from all the statements which they made, that the City of Calgary is the Province of Alberta. I am glad that the Honorable gentleman has put me geographically correct in this matter, and I will know from now on something more about the country than I did.

Well we, as a Commission, are out of course to do something from a Canadian standpoint that will be beneficial, not only to the coal business, or to the mining industry, and by that I mean the men who dig the coal and produce it, but also to the consumers of coal who in some instances have been the forgotten man so far as the coal industry is concerned.

You have in this Province, I understand, unlimited coal resources; and we have in the Province of Nova Scotia large coal resources, and they have good resources in the Province of British Columbia. With all that, and with the tremendous amount of capital invested, we in this country up to the present, and it looks to me for some time in the future, have been unable to supply the coal necessities of Canada so far as bituminous coal is concerned, and for the time being I class all soft coal as bituminous. That does not look very good, and it is not very pleasant. When this war came on we were absolutely dependant upon the coal of the United States to carry on our war, and that was a good thing of course.

As to what this Commission may be able to do, as I said we are out to do the best we can for the coal industry in the manner in which I have stated. We are glad that we are receiving the co-operation of all classes in Canada as we go across the country, and I don't know but from the briefs that I have, I think that in no place have we got the co-operation it seems to me that we are going to get in the Province of Alberta.

Thank you Mr. Minister for your very cordial invitation to see the Province more, and we will of course see some of it, but not as much as I would like to see myself.

BY MR. FRAWLEY - The first submission will be one by the Western Canada Bituminous Coal Operators' Association, which will be presented by Mr. C. Stubbs of Calgary.

MR. C. STUBBS - EXAMINED BY MR. FRAWLEY

Q. Mr. Stubbs, I think you are referred to as the Commissioner of the Western' Canada Bituminous Coal Operators' Association?

A. Secretary and Commissioner.

Q. And you are here in that capacity today to make a submission to this Commission?

A. Yes.

Exhibit No. 117 - Brief of the Western Canada Bituminous Coal Operators' Association.

MR. STUBBS reads submission, as follows:

"Gentlemen:

We appreciate this opportunity of presenting for your consideration a general review of the Bituminous Coal Industry of Alberta and Eastern British Columbia, its markets and problems as well as its hopes for the future.

This is a general statement as affecting all our member companies and no attempt is made here to deal with any single operation as separate from the rest. The information with respect to the individual operations, financial and otherwise, is being provided as requested by your proper officers.

We trust that your deliberations and Report may be productive of benefits to the industry and all those engaged in it as well as to the people of Canada as a whole.

SECTION 1.

HISTORY

We are advised that it is the intention of the Government of the Province of Alberta to submit a Brief to the Commission which will, among other things, treat in detail the development of the coal industry in the Province of Alberta, and it is therefore not our intention to go into this detail except in such particulars as will show the history and functions of the Western Canada Bituminous Coal Operators' Association.

If the Commission would be desirous of obtaining further historical details and geological records we would refer them to a paper prepared for presentation at the Second Meeting of the Empire Mining and Metallurgical Congress at the session held at Edmonton on the 20th day of September, 1927, and entitled "The Coal Mining Industry of Western Canada". In this paper Mr. W. J. Dick of Edmonton, Alberta, dealt with the history and development of coal mining in the Province of Alberta and gave detailed descriptions of the seams being worked, the methods of working and the equipment in use. A similar description with respect to Eastern British Columbia is contained in the same paper and was prepared by the late Robert Strachan, Senior Inspector of Mines for British Columbia.

A great deal of geological work has been done over a long period of years by the Geological Survey of the Dominion of Canada and particularly by D. B. Dowling in "Coal Fields and Coal Resources of Canada", and by B. R. McKay in various detailed surveys of Western coal areas.

In the Province of Alberta and in connection with the work of the Research Council, John A. Allen, Professor of Geology of the University of Alberta, has also made numerous geological contributions.

A very valuable contribution has been made by Prof. Standfield of the University of Alberta with respect to chemical analysis, physical characteristics, coking and briquetting qualities, and tests with respect to the use of Alberta coals.

The Fuel Research Laboratories under the Dominion Fuel Board have made extensive studies of the Chemical and Physical properties as well as testing for coking, briquetting and fuel uses under varying conditions.

The member companies of this Association are herewith listed and are given in the order of magnitude of production but separated as to their location on Canadian Pacific and Canadian National Railway lines:

On Canadian Pacific Railway Lines

The Crow's Nest Pass Coal Company, Limited	- Fernie, B. C.
West Canadian Collieries, Limited	- Blairmore, Alta.
International Coal & Coke Company, Limited	- Coleman, Alta.
The Canmore Mines, Limited	- Canmore, Alta.
McGillivray Creek Coal & Coke Co., Limited	- Coleman, Alta.
Hillcrest-Mohawk Collieries, Limited	- Bellevue, Alta.

On Canadian National Railway Lines

Brazeau Collieries Limited	- Nordegg, Alta.
Cadomin Coal Company, Limited	- Cadomin, Alta.
Mountain Park Coals Limited	- Mountain Park, Alta.
Luscar Coals Limited	- Luscar, Alta.

The Association was originally organized in the Fall of 1906 as the "Western Coal Operators" Association", its members being operators of steam coal mines in Southern Alberta and Eastern British Columbia, and its basic function being the making of collective agreements and the protection of its members in matters arising out of labour relations and wage agreements.

The first collective agreement in the Western coal fields was made by that Association and District 18, United Mine Workers of America in the Spring of 1907.. Following this the Association expanded its membership by including operators of Domestic coal mines in the Lethbridge and Taber fields, and continued with the making of collective agreements for all the larger mines in Southern Alberta.

During the period of the war 1914-1918 there was great development of coal mining in the more northern coal fields, particularly in the Brazeau and Mountain Park areas with respect to Bituminous and sub-bituminous coals, and in the Drumheller area with respect to Domestic coal.

During that period also a Director of Coal Operations was appointed who dealt with labour relations and price adjustments, which resulted in practically all of the larger companies in Alberta and Eastern British Columbia, whose employees were

members of District 18 United Mine Workers of America, becoming members of the Coal Operators' Association. During that period it can be said that the principle of making collective agreements between the two parties was set aside and labour relations and wage agreements were determined by the Director of Coal Operations. This procedure continued until early in the year 1920. On May 18th, 1920, the name of the Association was changed to be "The Western Canada Coal Operators' Association" and included as members practically all of the larger operators of steam and domestic coal mines in Alberta and Eastern British Columbia. In that month a collective agreement was entered into between that Association and District 18, United Mine Workers of America. In the year 1925 disintegration of the U.M.W. of A. occurred: there were not only two rival labour organizations but a considerable number of local unions who were not affiliated with any district organization, and were organized purely for conducting the business of the employees directly with their employers.

In the month of November of that year the membership of the Western Canada Coal Operators' Association had been materially reduced, and at a meeting of the remaining members it was decided to disband the Association.

By the year 1937 the United Mine Workers had again succeeded in bringing within their orbit most of the employees at the steam coal mines and it became necessary for the employers to again consider the question of making district-wide agreements. As a result the present Association under the name of "The Western Canada Bituminous Coal Operators' Association, was organized and included all steam coal operators except those at Coleman and Hillcrest. The negotiations at that time covered a protracted period and it was not until early in 1939 that an agreement was reached, this being made retroactive in effect to 1938.

The making of wage agreements has for the present been made subject to Government wartime regulations as to general

wage structures, and any negotiations with regard to changes are subject to the approval of the Government authorities administering such regulations.

The Association now includes in its membership all steam coal operators in Alberta and Eastern British Columbia with the exception of a very minor operation at Kaydee, Alta., (in the Mountain Park area), and a more important though intermittent operation of strip mining at Corbin, British Columbia, and such stripping operations in the Coalspur area as are supplying sub-bituminous coal to the Canadian National Railways for locomotive use.

As indicating the relative importance of our position in the industry we have here presented production figures for the years 1930 to 1944 inclusive. Columns 1 and 2 are taken from the Coal Statistics for Canada except for the year 1944, which is from the monthly reports of the Alberta Mines Branch. Column 3 is from the records of the Crow's Nest Pass Coal Company. Column 4 is total bituminous output for Alberta and the Crow's Nest Pass Coal Company in Eastern British Columbia.

Year	Total Production Alberta	Alberta Bituminous only	Crow's Nest Pass Coal Company	Total Bituminous Production
1930	5,755,528	2,278,467	531,688	2,810,155
1931	4,564,015	1,846,306	453,266	2,299,572
1932	4,870,648	1,734,705	347,937	2,082,642
1933	4,718,788	1,726,256	291,721	2,017,977
1934	4,753,810	1,915,800	429,668	2,345,468
1935	5,462,894	2,248,620	444,793	2,693,413
1936	5,696,960	2,288,734	514,163	2,802,897
1937	5,562,829	2,413,784	494,962	2,908,746
1938	5,251,233	2,310,479	482,417	2,792,896
1939	5,519,208	2,556,944	600,551	3,157,495
1940	6,203,839	3,069,197	813,610	3,882,807
1941	6,969,962	3,561,357	1,072,274	4,633,631
1942	7,754,053	3,807,619	1,109,509	4,917,128
1943	7,677,982	3,469,993	960,704	4,430,697
1944	7,427,433	3,551,205	1,002,410	4,553,615
TOTALS	88,189,192	38,889,466	9,549,673	48,439,139

From the foregoing it will be seen that the mines represented by this Association have produced on the average 44 percent of the coal mined in the Province of Alberta, but with the inclusion of the Crow's Nest Pass Coal Company in

Eastern British Columbia, the figure is 49.5 percent for the coal producing area, while for the war years this figure reaches close to 55 percent.

Referring now to the daily production and reserves of the companies we have prepared the following consolidated statement from returns supplied by our members. It should be here stressed that this statement does not show the position of any individual company, nor does it deal with unproven reserves."

Now I think with respect to the statistics shown on page 9, I might say by way of explanation that the average days worked shown on this table are arrived at on the production basis as shown in the second column, and not the actual days the mines worked. It is a consolidation.

Continues Brief

<u>"Year</u>	<u>Annual Production</u>	<u>Average Actual Daily Production (Cumulative)</u>	<u>Average Days Worked</u>
1934	2,321,231	14,178	163.72
1935	2,662,605	14,358	185.44
1936	2,748,267	15,568	176.53
1937	2,899,034	15,566	186.24
1938	2,744,650	15,240	190.09
1939	3,080,085	15,666	196.61
1940	3,728,588	15,639	238.48
1941	4,657,541	17,067	272.89
1942	4,751,602	16,356	290.51
1943	4,317,967	15,394	280.49
1944	4,433,312	15,967	277.65

	<u>Average Annual Production</u>	<u>Average Daily Production</u>	<u>Average Days Worked per year</u>
Average Annual Production (11 yrs.)	3,486,000	15,545	224
Six Years preceding the war	2,742,645	15,096	182
Five War Years	4,378,002	16,084	272

With respect to development and reserves at the present operating sites and to depths of cover generally not exceeding two thousand feet, the consolidated returns show:

1. Known Reserves in Tons in present working areas and development

<u>Reserves</u>	<u>Estimated percentage of Recovery</u>	<u>Recoverable</u>
78,108,000	74	54,449,550

On the basis of the maximum actual annual production (year 1942) this represents eleven years' operations.

2. Additional Reserves as in No. 1 but based on some knowledge of continuity of seams provided by drilling or prospecting

<u>Reserves</u>	<u>Estimated percentage of Recovery</u>	<u>Recoverable</u>
339,473,860	70	233,682,400

On the same basis as No. 1, this would provide for an additional fifty years' operations.

3. Estimated additional reserves, assuming continuity of seams on structural evidence only

<u>Reserves</u>	<u>Estimated percentage of Recovery</u>	<u>Recoverable</u>
418,826,000	74	311,414,600

This would provide for a further sixty-five years of operations at present operating sites.

No estimate is here made of such further reserves as could be made available by starting operations at new sites contiguous to present operations, nor for those which would require the construction of additional railway facilities.

With the exception of the Crow's Nest Pass Coal Company, Limited, which operates mines in Eastern British Columbia, all the operations enumerated are located along the Alberta front of the Rocky Mountains and produce low and medium volatile bituminous coals commonly termed steam coals.

As an indication of the efforts made by our Company members to expand and maintain markets for their products, we would point out that practically all plants are equipped to a greater or less degree with coal cleaning machinery, some with

air cleaning tables for small sizes, some with wet washeries or sink and float equipment, some with a combination of both wet and dry cleaning equipment. Such plants involve high capital expenditures but are a necessary prerequisite to the use of mechanical equipment for loading coal underground.

Coke is produced at Michel and Coleman in Beehive type ovens, and at Michel in a very modern by-product coking plant with Curran-Knowles ovens.

Briquetting is carried on at both Canmore and Nordegg on a comparatively large scale, at the former place almost wholly for commercial trade, and at the latter for locomotive use. There is also a plant at Blairmore making binderless briquettes, but the product has been so far used almost solely for local supply.

The operating companies are also fully alive to the need for the development of improved methods of mining and the greater use of power and machinery in the actual production and loading of coal at the face, and in improved methods of transportation.

Coal Cutters, conveyors (shaker, chain and belt types), conveyor loaders, and Pit Car loaders are all being used at various operations. Strip and Open cut mining is being used at two operations.

With respect to mechanization it must be pointed out that the problem is not one of simple solution. Very little of the machinery developed for mechanical loading in flat seams can be adapted to use in pitching seams such as are worked by our member companies. In addition, employees must be trained to new methods, and resistance to such changes requires time to overcome.

From the foregoing it will readily be seen that the problem of the steam coal mines is not one of ability to produce or lack of reserves, but is one of markets, as this might be determined by railway and industrial consumption in Western Canada against the competition of imported coals or against the use of other substitute fuels or energy, and the extent to which

Western coals may be moved to more distant markets by such assistance as has already been granted or that may be devised.

With respect to markets we will deal in greater detail with that in Section 2.

SECTION 2.

MARKETS

Before outlining our general market situation it might be as well to describe our products. We produce bituminous coals ranging from 12,800 b.t.u. to 14,200 b.t.u. Our coals run from low volatile to medium volatile and most of these are coking coals. We produce lump, washed furnace, cobble or stove coal, mine run, sized stoker coal and slack coal. Many of these sizes are cleaned either by wet washing or by air tables. Dustless treating is available at many mines either by oil treating or by calcium chloride treating. The nature and quality of our products makes them generally suitable for railroad and industrial use. Tests have been conducted by the Fuel Research Laboratories, Ottawa, and by the Research Council of Alberta on all our coals. These show some with particular suitability for coke manufacturing and the general low sulphur content in the coal and resultant coke is a decided advantage for smelting and foundry use. Our coals are also very satisfactory for stokers in industry and in addition high grindability makes them efficient for pulverized fuel use. The fusion point of ash varies at different collieries but runs from low to very high and at some pulverized fuel plants high ash fusion is necessary.

Some companies also produce briquettes of excellent quality which have proven very satisfactory for household heating and also for railroad use.

Two companies also produce coke one from beehive ovens and the other company from both by-product and beehive ovens. Coke produced is satisfactory for smelting, general metallurgical use, foundry and household use.

The market for bituminous coal can be divided into three major classifications:

1. Railways
2. Major Industrial Markets
3. General Commercial
(consisting of small industries, institutions,
apartment block heating and household use.)

RAILWAYS

The railways are the major users of bituminous coals. This railway market is of course a variable one being dependent on freight and passenger traffic and the area or mileage which the railway companies serve with Canadian coal. Railway traffic in Western Canada is of course primarily dependent on agriculture. The size of our grain crops and marketability are the barometer of freight traffic and of general business activity. The area served by our coal on both the Canadian Pacific Railway and the Canadian National Railways was gradually extended Eastward in the period 1930 to 1942 until it reached White River on the C.P.R. and Sioux Lookout on the C.N.R. In 1943 and 1944 the Canadian Railways were supplied with U. S. coal over a considerable portion of Western Canada and practically all of Ontario. It is, of course, our desire to recover this area for Canadian coal to railways.

MAJOR INDUSTRIAL MARKETS

Our market area is not heavily industrialized. The principal consumers of coal are:

- (a) Smelting operations at Trail, B. C.; Flin Flon, Man., and Kellogg, Idaho.
- (b) Public Utilities such as Winnipeg Hydro, Winnipeg Electric, B. C. Electric, Vancouver, and Spokane Gas, Spokane, Wash., Central Heating plants in Winnipeg, City of Regina Electrical Utility, Washington Water Power Co., Spokane.
- (c) General Industrial such as cement plants at Exshaw, Alberta; Fort Whyte, Man., and Spokane, Wash. -- paper mills at Kenora, Fort Frances, Dryden and Kapuskasing,

Ont. -- steel rolling mills, Selkirk, Man., and magnesite plants at Chewelah, Wash.

GENERAL COMMERCIAL

Our general commercial market is primarily the supply of coal to schools, hospitals, government buildings, department stores, apartment block heating, household use, and the heating and/or operating small industries, mines, etc.

The following is a general description of our markets geographically:

British Columbia

The railways in addition to substantial tonnage of our coal, are large users of fuel oil in the mountain area. In the year 1940 they used 50,000,000 gallons of fuel oil according to the Oil Controller's Report, the larger part of which was used in British Columbia.. This is equivalent to approximately 300,000 tons of coal. Our industrial market is confined largely to the smelters at Trail, B. C., and the B. C. Electric Company. The latter Company used practically none of our coal in pre-war days. The commercial market is largely limited to retailers and small plants and is not extensive in volume.

The freight rates on our coals to Vancouver are \$3.80 per ton from Canmore, \$3.90 per ton from the Northern Alberta bituminous mines, \$4.20 from the Crow's Nest Pass area of Alberta, and \$5.60 per ton from Nordegg.

Alberta

The railways use bituminous and some sub-bituminous coal for the greater part of their operations in Alberta, with fuel oil used in part on the C.P.R. main line from Calgary west and on switch engines in Calgary and Edmonton.

On the C. N. Railway, all trains west of Jasper use oil, while the main line passenger trains use oil from Edmonton west.

It is our understanding that the use of fuel oil in these sections of British Columbia and Alberta has been compelled

by representations of the B. C. Forestry Department and in an effort to protect the forest areas from fires.

Shipments to industry are negligible as the urban areas of Alberta are supplied with cheap natural gas and in addition lignite mines throughout the Province are located close to all urban areas.

Saskatchewan

The railroads use coal almost exclusively in Saskatchewan but there is little industrialization. Our market is chiefly a seasonal one for heating purposes and is not large. The principal user of bituminous coal is the City of Regina Power Plant and fuel oil from local refineries provides intense competition. Up to the year 1944 there was some market for bituminous coal in Moose Jaw, but this has been almost entirely displaced, largely by fuel oil and to some extent by lignite slacks.

Manitoba

The history of this market shows a division into two areas. The area West and North of Winnipeg has used our coals predominantly for a long period of years. This area is not highly industrialized with the exception of the mining and smelting company at Flin Flan, Man. This market area uses an average of approximately 50,000 tons of bituminous coal per year.

Eastern Manitoba including Winnipeg, prior to 1930, was almost exclusively supplied, as far as bituminous coal is concerned, from the United States. Slack coals from the United States were truck delivered to hospitals in Winnipeg for prices as low as \$7.60 and \$7.70 per ton. Our coals could not compete and we felt at that time that slack coal from the United States was dumped into Canada.

On June 5th, 1930, the first subvention on our coals to Manitoba was made effective under P.C. 1257. This was at the rate of 1/5 of a cent per ton mile with a maximum of \$1.00 per ton. This excluded coal for railroad use. It did not apply to all Manitoba, but only to the area where the Minister of Mines felt

it necessary. This area was Winnipeg and East. The subventions to Manitoba were frequently changed and the following is a summary: It should be noted that from June 14th, 1930, subventions were applicable only for industrial use.

Order in Council 1257	June 5, 1930	1/5¢ per ton mile.	Max. \$1.00 per ton
Order in Council 1400	June 14, 1930	1/8¢ per ton mile.	No. Max.
Order in Council 1303	May 30, 1931	1/7¢ per ton mile.	Max. \$1.50 per ton
Order in Council 827	April 15, 1932	1/7¢ per ton mile.	Max. \$1.20 per ton
Order in Council 1121	May 28, 1934	1/12¢ per ton mile.	Max 70¢ per ton
Order in Council 894	April 5, 1936	10% of freight rate	Equal to 51¢ to 53¢ per ton
Order in Council 3970	Dec. 5, 1939	Cancellation of all Manitoba Subventions."	

BY MR. STUBBS - I would point out that there were successive reductions in the amount of subvention assistance given through those various Orders.

Continues Brief:

"This subvention policy was successful in securing most of the Winnipeg market from United States coal despite the continual changes in the assistance granted. During this period considerable modernization took place in combustion equipment in Winnipeg and environs and our bituminous coals were found to be very satisfactory. The growing use of automatic stokers for household use has presented both an opportunity and a problem. The automatic stokers now in use when supplied with our coking coals require some attention to break up the coke in the furnace. Most householders purchase stokers with the object of only having to attend to them frequently enough to fill their coal hopper. In Winnipeg our coals when mixed with Saskatchewan lignite coal work very satisfactorily but many consumers do not like a blend of coals. Competitive Elkhorn coal from the United States is very satisfactory for household stoker use."

BY COMMISSIONER McLAURIN - Where is Elkhorn?

A. In the Appalation district in Kentucky.

Continues Brief

The development of an automatic stoker which would burn coking coal efficiently without requiring the coke to be broken up at intervals would enlarge our market in this area.

This area is very competitive with Saskatchewan lignite coal but where bituminous coal is used an excellent spirit of co-operation exists between the consumers in Manitoba and our companies. In 1943 and 1944 many of our customers in Manitoba by direction of the Coal Controller had to use United States coal and we will have the problem of the recovery of this market. On the basis of present prices this would not be difficult and we have been competitive with United States coal since 1939. Our future position will, of course, depend to a large extent on U. S. prices in the post war period, and the price of Saskatchewan lignite coal. Other factors are the quantity of off-peak electricity available at low rates, the price of wood fuel, and the market for Winnipeg Electric Coke with its resultant effect on the tonnage of coal they purchase. The freight rates on our coals to Winnipeg vary from \$5.10 to \$5.30 per ton.

When subventions were cancelled in December 1939 assistance was still paid on coal shipped to the Winnipeg Electric Company for manufacture into domestic coke under P.C. 944 dated April 26th, 1932. This provided for assistance equal to the difference in price between Canadian and U. S. coal laid down at coke plant with a maximum of \$1.00 per ton. P.C. 3637 dated May 1st, 1942, cancelled P.C. 944 and preserved the rate of assistance being granted to coke plants during the basic period September 15th to October 11th, 1941.

Western Ontario

This area between Manitoba's Easterly boundary and Fort William is almost entirely an industrial market with only a small miscellaneous tonnage shipped to retail dealers. The industrial market is confined to paper companies at Kenora, Fort Frances and Dryden. After considerable testing, tonnage first moved to Kenora in 1937 and the results were so satisfactory

that sales were later made to the paper mills at Dryden and Fort Frances. This market continued expanding until 1942 when by order of the Coal Controller our shipments were discontinued. All of our shipments to this area were under subvention. The history of subventions to this area exclusive of railway use, is as follows:

<u>Order in Council</u>	<u>Date</u>	<u>Rate</u>	
1303	May 30, 1931	1/3¢ per ton mile	Max. \$2.00 per ton
1121	" 28, 1934	1/5¢ " " #	" \$2.00 " "
894	April 5, 1936	30% of freight rate.	" \$2.00 " "
3970	Dec. 5, 1939	30% " " "	" \$2.00 " "
7588	Oct. 1, 1941	25% " " "	
9794	Dec. 16, 1941	25% " " "	(to consumers and not for resale)
		30% " " "	(to dealers for resale)
4740	June 5, 1942	For consumers and not for resale. Difference in laid down cost at point of consumption between our coal and U. S. coal.	Max. 25% of freight rate

We do not consider P. C. 4740 to be practicable in enabling us to sell coal. We are unable to tell any customer in this area what our coal would cost him as the amount of subvention is undetermined. In addition the actual difference in laid down cost between Canadian coal and U. S. coal would result in the business going to U. S. coal. The convenience in having U. S. coal stored at Fort William and Duluth with delivery in 24 hours after loading at docks would eliminate necessity of stock piles by consumers as with Western coal. In addition U. S. mines by shipping specially selected premium coals could always secure this market. We believe that a definite figure of assistance will have to be worked out for this area if we are to recover our pre-war market. The freight rates to this area from our mines vary from \$5.50 per ton to \$6.20 per ton.

In this area our principal competition is United States coal stored at Fort William and Duluth, although the Kenora Paper Mills have an electric boiler which has used a substantial amount of electricity supplied at a very cheap rate.

Railway use of Canadian coal in this area has been largely dependent on subventions.

On May 30th, 1931, P. C. 1303 granted subvention to Canadian Railways to the extent of 1/3¢ per ton mile on Canadian coal with a maximum of \$2.00 but it was only to apply on any increased tonnage used by the railways above average consumption of Canadian coal for the years 1928, 1929 and 1930.

On May 30th, 1933, P. C. 952 continued the same assistance but applied it to tonnage above consumption of Canadian coal in the years 1930, 1931 and 1932.

May 28th, 1934, P. C. 1121 made the rate 1/5¢ per ton per mile with a maximum of \$2.00 per ton and this applied on all Canadian coal used East of and including Carrick, Decimal and Eagle River. Carrick and Decimal are on the C.N.R. 70 and 77 miles East and South East of Winnipeg, and Eagle River is on the C.P.R. 191.9 miles East of Winnipeg.

April 5th, 1935, P. C. 871, changed the subvention area to Carrick, Man., Decimal, Man., and Eagle River, Ont., on the West, and Sioux Lookout, Ignace and Fort Frances on the East. These three latter points are 252.1, 271.9 and 207.7 miles respectively East and South East of Winnipeg.

April 5th, 1936, P. C. 894, granted 30% of published freight tariff rate with maximum of \$2.00 per ton when used in Manitoba and Ontario East of and including Carrick, Decimal and Eagle River.

Dec. 5th, 1939, P. C. 3970, continued the same area and rate of assistance.

Oct. 1st, 1941, P. C. 7588, defined the subvention area as Ontario and changed the rate of assistance to 25% of published freight tariff rate with a maximum of \$2.00. A substantial market was built up in this area but was lost to United

States coal when our production was utilized further West.

Ontario East of Fort William

By P. C. 740, dated April 24th, 1933, the Dominion Government provided a subvention of \$2.50 per ton on all Alberta coal exclusive of railway coal where the freight rate was \$8.00 per ton or higher.

By P. C. 3286, dated January 4th, 1939, the shipping area was enlarged to include the Crow's Nest Pass district of British Columbia.

P. C. 7588, dated Oct. 1st, 1941, consolidated the previous orders leaving the rate unchanged.

Railway companies have a flat freight rate of \$8.00 per ton which applies to all of our market area East of Fort William. The purchasers of our coals in this area therefore paid a net freight rate of \$5.50 per ton. This resulted in our coals being competitive with U. S. coals only where a fairly long rail haul was necessary on the U. S. coal. In consequence we made little headway in this part of Ontario except in the Kapuskasing, Timmins and Kirkland Lake districts. There we were able to supply the paper mill at Kapuskasing and gold mines in the Timmons and Kirkland Lake districts. The customers we developed were well satisfied with our products and progress was being made in this area. Our competition in Timmons and Kirkland Lake was with United States coal which is docked at Midland and Little Current. The gold mines use coal primarily for heating purposes and the size most commonly purchased was stoker coal. High grade stoker coals from the Elkhorn field of Kentucky as well as excellent quality Pennsylvania coals were the principal United States coal supplied. At Kapuskasing the mill used a large tonnage of coal in pulverized fuel installation as well as a good tonnage of stoker coal for miscellaneous operations and heating jobs.

The Canadian Railways received subvention to this area under P. C. 7588 dated December 16th, 1941. This is similar to assistance granted in Ontario West of Fort William

and was previously referred to, being 25% of freight rate with a maximum of \$2.00 per ton. The C.P.R. have used our coals in this area as far East as White River but the Canadian National Railways have not used Western Canadian coals East of Port Arthur. We wish to express our appreciation of the action of the Canadian Railway Companies in using our coals in this market and we trust their co-operation in this regard will be continued.

United States

Our Collieries in the Crow's Nest Pass area are geographically in a position to supply parts of the States of Washington and Idaho. In the State of Washington the area in which we are normally competitive is known as the Inland Empire with Spokane as its central point. In this area our coals are better suited for industrial operations than available United States coals. This area secured United States coal from the Roslyn field in Washington and from Utah, Wyoming and Montana. The Washington coal is not as high in quality as we produce and reaches Spokane with a slack coal freight rate of \$2.50 per ton while freight rates on slack coal range from \$2.29 to \$2.40 per ton from the Crow's Nest Pass area. From Utah both coking and free burning coals are available and we are able to compete with the quality of this coal. Freight rates to Spokane on slack are \$4.45 per ton from Utah. Coal from Wyoming is free burning, sub-bituminous, both strip and deep seam mined. This coal is particularly utilized in the household heating market, being suitably free burning for the domestic stoker trade as well as a satisfactory furnace coal. Slack freight rates to Spokane vary from \$4.45 to \$5.05 per ton. Coal from Montana is also satisfactory, sub-bituminous and lignite, free burning and comes from both strip and deep seam mines. The coal is a satisfactory stoker and household fuel and the slack freight rate to Spokane is \$3.86. Our general market situation in this area is that we supply most of the heavy industrial field but have only a very moderate share of the general commercial and household trade, and in this latter is mostly used for blending with free burning

U. S. coals.

However, in this area, there is some uncertainty as to the future. Mines in Western U. S. are now developed to an annual production capacity of 32 million tons, and some of the mines in Wyoming, Utah and Colorado are now highly mechanized. This tonnage appears to be very much higher than the pre-war consumption of the area, and may provide, in post-war years, a very serious threat to the business we have enjoyed.

In the Western half of the State of Washington we had negligible business prior to the outbreak of war and during the war any movement to Seattle has been primarily emergency shipment for ship bunker purposes. Some of our Northern mines are also able to ship coal for this purpose but this whole movement has been a most erratic one. Various small mines are in operation in this area with freight rates from \$1.03 to \$2.00 per ton into Seattle. Oil is also used extensively all over the State of Washington and in 1937, being the last year for which figures are available, 11,688,000 barrels of oil were consumed. This is equivalent to approximately 3,000,000 tons of coal. According to the State of Washington Mines Inspector's Report, in the year 1936 wood and wood products were utilized equivalent to 500,000 net tons of coal.

In the State of Idaho we ship coal to the metal mining district East of Couer d'Alene. This is largely used in smelter operations. Competitive sources of supply from the United States are the same as for the Inland Empire area in the State of Washington.

General

We do not see any major opportunities for market expansion in the United States, British Columbia, Alberta, Saskatchewan or Manitoba unless there is industrial development in these areas beyond present public knowledge.

From the foregoing analysis of our markets and based on our experience over many years, it is our conclusion that the

market area we could serve without tariff or government assistance would commence directly west of Winnipeg and extend to Vancouver in the West, and would include the Inland Empire in the State of Washington and the metal mining area in the State of Idaho. With tariff duties on imported coal as at present but without any other government financial assistance we believe this area might be enlarged to include the City of Winnipeg. This would, of course, depend on the maintenance of reasonably fair prices on United States coal. If the chaotic conditions that were in effect on United States coal prior to 1930 were to return we doubt that we could hold our market.

The market we obtained in Ontario both railway and commercial was an expanding one at the outbreak of war but we are convinced it can only be recovered by government assistance.

We would again draw your attention to the use of oil burning locomotives in mountain areas. We cannot ignore the growing use of Diesel powered locomotives in the United States. The following is a copy of a press report appearing in a Vancouver paper under date of January 29th of this year:

"C. N. R. to run Diesel Engine Trains Soon"

"Hints that British Columbia might soon see Diesel locomotives hauling crack passenger trains through her mountains were dropped by Norman B. Walton, executive Vice-president of Canadian National Railways, on his arrival here today from Vancouver Island.

"The Company, Mr. Walton said, is now using motorized switching engines with good results and diesel-electric passenger locomotives, he added, are now available in United States.

"The C. N. R. Official emphasized that internal-combustion engines, now extensively used south of the border on featured trains, are speedy and more economical than steam-driven equipment.

"Because new possibilities for improvements and

"refinements in passenger trains are a receding horizon, exact style of the post-war passenger train is not set, but the national rail system is experimenting in new sleeping car styles offering greater space, Mr. Walton reported."

"This, he explained, appeared to be the public demand."

In 1922 coal furnished 91.4% of all fuel for class one railroads in the United States, while in 1943 the percentage had fallen to 81.8%. In the years 1939 to 1943 inclusive class one railroads in the United States purchased 3,184 diesel locomotives and 1,424 steam locomotives. Diesel manufacturers in the United States have sounded the theme over and over again that diesel power is the modern power. They tie up diesel locomotives with the age of speed and comfort and have co-operated with railroads in advertising campaigns which almost imply that unless people ride on diesel powered trains they are being supplied with antiquated transportation. There is definite room for a merchandising job on modern steam powered locomotives conveying to the public many of the advantages which are available with this form of power. "Coal Heat", a stoker magazine published in Chicago, has in its February 1945 issue a description of the new type of coal burning steam locomotive completed for the Pennsylvania railroad. Extracts from this article show that it is the first direct drive steam turbine locomotive ever built in the United States, and is now undergoing tests to determine the adaptability of this type of engine to long distance high speed passenger and freight service.

We quote from the publication we referred to a few minutes ago:

QA product of continuing research and development, the engine was designed and constructed by the Baldwin Locomotive Works and the Westinghouse Electric and Manufacturing Company, in collaboration with the Pennsylvania Railroad.

"The purpose of developing the new steam turbine locomotive is to eliminate the reciprocating parts of the conventional steam locomotive, obtain a uniform flow of power to the driving wheels, and obtain the economies inherent in a turbine for railroad motive power. The turbine is designed to develop 6900 shaft horsepower, providing power at the tender coupler sufficient to pull a full-length passenger train at 100 miles per hour and high class freight trains at high speeds.

"In addition, construction is progressing at the railroad's Altoona, Pa., works on twenty-five newly-designed, multiple-cylinder freight locomotives of the type Q-2, recently announced. The first of this order has been delivered and is already in operation."

When railroads purchase diesel powered locomotives it is exceedingly difficult to ever get them back to coal because of capital investment involved, together with elimination of coal handling facilities. It is therefore of the utmost importance for the maintenance of our industry that coal continue to operate our railroad locomotives in an efficient and dependable manner.

I would like to interject at that point, Mr. Chairman, that with respect to assistance to our industry, if that be possible, on the part of the Dominion Government, if co-operation could be arranged, financial co-operation I mean, between the Government and the railway with respect to experimenting in fuel saving we believe that that would serve a very useful purpose to our industry. (Continues brief):

In order that there may be no misunderstanding regarding government assistance for extension of markets to our industry we would like to point out that subvention funds are paid directly to the railway companies or to the customer as an offset against freight charges.

The household market presents a great opportunity for modern merchandising methods provided suitable equipment is available for the automatic burning of coking coals. Modern

stream lined advertising is building up in the minds of the public a belief that new scientific and technical discoveries will provide them with vast improvements in such things as automobiles, radios, refrigerators and plastic furniture. Coal must, to retain its position, let alone improve it, be offered in this atmosphere by utilizing modern methods and it must be sold by efficient merchandising and advertising.

We appreciate that modern household equipment has made considerable changes in recent years and this becomes a post war problem for our industry when new equipment may be available. We appreciate that we will be required to collaborate with manufacturers of such equipment and also take part in such advertising as may be essential to properly place this before the coal consuming public. This matter was effectively presented at the sittings of your Commission in Nova Scotia, and we have no desire to attempt duplication with respect to this.

We believe also that coal salesmen and retail coal merchants will require to be trained sufficiently in combustion to be able to offer expert service and advice to the general public.

The co-operation of equipment manufacturers, coal producers and retail merchants will be necessary in such a program.

Briquetting

In the foregoing we have dealt with coal.

Briquettes manufactured from bituminous coal have also established a market for household use from Vancouver to Toronto and for railway use in Western Canada. The volume has grown steadily, without Government assistance from British Columbia to Manitoba, and with subvention aid in Ontario. While in the latter province, the tonnage during the war years went to a considerable extent to military establishments, sufficient volume was supplied for household use through ordinary commercial

channels to warrant the conclusion that with continuance of the subvention policy the market, at present out of bounds, can be recovered and increased in peace time.

Coke

The coke market is practically entirely of an industrial character. The largest consumer is Consolidated Mining and Smelting Company, Ltd., Trail, B.C., and the next in volume is Bunker Hill Smelters, Kellogg, Idaho. The balance of our coke market is made up of comparatively modest tonnage to the sugar beet industry and individual cars, as required to ship-yards and foundries in the area from Vancouver to Winnipeg, as well as Seattle and Spokane in the State of Washington.

Statistics

To examine the actual statistical position of our markets we have prepared several statements and maps.

We have got some additional information from the office of the Coal Control since I supplied you with these statements and we have been able to extend these figures to 1944 in the case of the two sheets, No. 2 and 3.

BY MR. FRAWLEY: We will use this document then as the official exhibit.

Exhibit 118 - Statistics of Coal Production and Breakdown of Market Areas

MR. STUBBS: Sheet No. 1 is taken from the Alberta Mines Branch reports and it deals with Alberta coal only.

BY COMMISSIONER McLaurin: You are putting in five or six sheets, and collectively they are statistics of production?

MR. STUBBS: Of production, and breakdown of market areas. Sheet No. 1 is used mainly for the purpose of showing the total production according to the Alberta Mines reports, and breaking down to give the bituminous output. I would draw attention to the realization figure shown on that sheet as being from the Alberta Branch reports and covering all coal production and not only bituminous production, about which I will give you realization figures later.

Sheet No. 2 then gives us our total sales, less wastage and distribution for colliery purposes use, and for coke and briquettes.

Statement 3 gives you the over-all distribution from the figures we have brought forward in the previous two statements.

I would like to add a statement at this point that we were not able to do when we submitted the sheets first, and that is a statement showing realization of bituminous coal from 1936 to 1944, compiled from the ---

BY COMMISSIONER McLAURIN: This is really part of the same information and you are calling it 3A. It will be part of the same exhibit, is it?

MR. STUBBS: It completes the information.

BY MR. FRAWLEY: We had better not call it 3A. Could you take 3 out and incorporate the sheet you now have in your hand in 3? Otherwise we will have to call it 119.

BY COMMISSIONER McLAURIN: That would be all the better.

MR. STUBBS: We could take Sheet 3 and add this information and call it Sheet 3.

BY MR. FRAWLEY: I really think that would be better. So when you appear again, maybe before we adjourn, we will just withdraw all of No. 3 and you put in a new No. 3.

MR. STUBBS: Yes, that can very readily be done.

BY MR. FRAWLEY: Before you leave Sheet 3, you say that it is distribution of sales and realization?

MR. STUBBS: It will be when I bring it back. (Continues brief):

Statement Number three shows the distribution of our sales from 1930 to 1943 inclusive and statement No. 3A shows total sales, average annual sales and percentage of total sales for the period 1930-39 inclusive, 1940 to 1943 inclusive and for the year 1943.

Statement 3A gives a consolidation of the figures we

have already submitted, and we would draw your particular attention in that statement to the percentage figures on which our production has been distributed on the basis of the statement 3A. We have also prepared maps which give in detailed form our provincial markets but show the railway coal, with the exception of railway purchases going into Ontario, as a single figure. With respect to the distribution of railway coal, we cannot show that through the provinces because that information is not kept in such a form, even by the railway companies themselves, that it could be distributed properly through the provinces to give a correct record. However, we show the total railway purchases excluding Ontario, and in Ontario we show those purchases, railways and otherwise, that have been moved on account of subvention. There are photostat copies of the maps in the bound copies of the brief that give those details. We have also on those maps given information from Sheet 3A with respect to the days worked. That is provided by the markets in the various areas. Now I would point out that the days work . are provided on our present market requirements as shown on these maps and not on the days actually worked in the areas indicated. It will be noted that there has been, as between the 10-year average 1930-1939 and the four war years average, 1940-1943, there has been a general shift of our markets westward, and in 1942 coal shipments to Ontario ceased in the latter part of the year, so that we show on map 3 for the year 1943 only, no shipments of bituminous coal were made to Ontario and all our markets were confined then to the four western provinces, with emergency coal going into the United States in addition to the market shipments that we have already dealt with to the Spokane area.

BY MR. FRAWLEY: These maps that follow page 37 are not particularly legible, as you can see. Would you mind filing with the Commission separately some of those larger maps. Looking at Map No. 1, it is very difficult to follow the place

names, I mean. The information you have charted on 1 is quite legible.

MR. STUBBS: How many copies do you want?

BY MR. FRAWLEY: If you are going to have them blue-printed you had better do about ten.

MR. STUBBS: We will get those for you, if possible before the sittings conclude in Calgary, and if not we will forward them. (Continues brief):

In examining Statement 3A it will be noted that railway purchases were 76.85% of total sales in the 1930-39 period and 71.73% of total sales for the 1940-43 period, while in the year 1943 they were reduced to 57.19% of total sales. While the percentage of total sales was lower during the four war years compared with ten pre-war years, purchases averaged 1,046,695 tons per year more. In 1943 however sales to railways dropped 657,919 tons below the four year average 1940-43. Examination of sheet 3A discloses the diversion of our tonnage Westward in that year. Every Western Province that year purchased a greater tonnage from us than either the 10-year pre-war average tonnage or the 1940-43 average. In addition the U.S. required a large tonnage of our coal in the States of Washington and Idaho and most of this was war business of a temporary nature. This diversion of our coal from Ontario and from the railways to Western Canada and to the United States was considered necessary by the Coal Controller, and it was at his request that it took place. This was against the desires of our companies who had to reduce shipments on their regular railway contracts, and which eliminated our Ontario market. The war portion of our exports to this market is now practically terminated.

We submit herewith Map No. 1 showing geographically our average distribution for the years 1930-39 with the exception of railway coal, which is shown as a total figure. This map also shows the days work available if we had to return to that

total market with our present production which requires a daily sales market of 14,500 tons. It also shows the tonnage and days work that resulted from Ontario shipments under subvention. It should be noted however by examining statement 3 that the Ontario market was expanding and the 10-year average does not represent the position in 1938 and 1939.

Map No. 2 gives the same information as No. 1 but for the period 1940-43, while Map No. 3 covers the year 1943. It should be noted in connection with Map No. 2 that sales to Ontario were terminated before the expiration of 1942 and our sales were increasing substantially in 1940 and 1941. Statements 3 and 3A together with Maps 1, 2 and 3 show our overwhelming dependence on the railway market. In the years 1930-1939 our average commercial sales would only represent 37 days work per year at present sales levels of 14,500 tons per day. As outlined previously we are not aware of any developments which would increase our pre-war commercial market unless by generally increased requirements of present industry or by sales to the Ontario market.

We also attach hereto statement 3B showing the distribution of briquettes. This shows clearly the increasing importance of briquetting and the extending use of this fuel by railways.

We make that distribution in order to bring it into the general distribution picture at a later time. (Continues brief):

Statement 3C shows a consolidated distribution of our coal plus briquettes.

Statement 4 shows the distribution of "Coal and Briquettes sold to Railways" and is a breakdown of the Railways column in 3C. This breakdown clearly emphasizes the overall percentage of total sales to the separate railways from mines located on each. It will be noted that there is a consistently higher percentage with Canadian National than with Canadian Pacific.

MR. STUBBS: I would draw attention in passing to those percentage figures because it will be noted that from 1930 to 1939 in the case of the Canadian National the figures were well over 85% of the total sales of coal and briquettes by mines located on the Canadian National Railway lines. The percentage of total sales to the C.P.R. from mines located on their lines averaged well over 70% on that sheet.

BY COMMISSIONER MORRISON: Which would indicate that the C.P.R. got some good paying freight away from those mines.

MR. STUBBS: It is obvious that a reasonable percentage of the coal was shipped as revenue freight. (Continues brief):

Through the courtesy of both railways we have been provided with figures covering purchases by them from our mines, and while there is some discrepancy between our figures and those supplied by the railways, these differences are not such as would materially affect the general conclusion.

I may say we have found considerable difficulty in matching statistics with information from railways, from the Bureau of Statistics, from Alberta Mines Branch and from our own company, but in all of these differences we have confirmation that they are not sufficiently material to affect the general conclusion. (Continues brief):

Statement 5 deals with the production and distribution of coke as separate from all other operations.

That is put in to show where the balance of the production not already accounted for goes and where the market for coke exists. (Continues brief):

Our position with regard to post-war markets can be stated as follows:

1. Railway requirements normally constitute over 70% of our production. We recognize that in Western Canada, these requirements are governed to a large extent by the size and marketability of the crops. The result, a natural one, is considerable variation in the takings from year to year,

and similar variation in the employment afforded. The major factor presenting the possibility of relief, both as to the variation and the maintenance or improvement of tonnage, is the distance Eastward the Canadian Railways could use our coal.

2. Extension of the use of fuel oil by Canadian Railways would mathematically reduce coal requirements from the mines. One need hardly emphasize its effect on the industry, not only from the standpoint of lost tonnage but from the inescapable impression created that the industry was a declining one.

We suggest that a complete investigation be made as to economies or otherwise that are effected by the use of fuel oil in the areas in which it is now used, with a view to showing any definite advantages in the use of one or other fuel to the railways, the mines and the country generally.

We would further suggest that no extension of the area in which fuel oil is used should be made, particularly insofar as fuel oil is imported in competition with Canadian produced coal.

3. At the present time we can compete in the Manitoba market without Government assistance but future prices on U. S. coal could change that condition.
4. We cannot compete in the Ontario market either for railways or commercial use without Government assistance. This could be an expanding market particularly if adequate subventions were available for a period of years to assure continuity of supply to the consumer.
5. We do not see much greater opportunities for commercial sales of our coal in Western Canada and the United States than in pre-war years.

SECTION III - SUBVENTIONS

Subventions in their application have already been dealt with extensively under Marketing, and with respect to the effect on employment, under the statistics and maps provided.

It would/^{be}extremely difficult, if not impossible, to assess the general financial benefits to the coal companies concerned, as it must be kept in mind that they do not receive subventions, these being paid to the customer or railway as an offset against freight rates.

The additional tonnage secured by the operation of subventions will by that much increase the working time of a colliery, and as a result will reduce the overhead cost per ton, but a study of the realization per ton to the companies would show that the general result of effecting savings in cost is passed on to the customer in the form of reduced price and in the hope and effort to increase purchases and the area in which the coal may be sold.

With respect to the need for subventions, we believe that the effects on employment justify them, and our position in the matter is that subventions should be provided in the areas in which they formerly operated and to the extent and in amounts that will keep Canadian coal in a favorable competitive position with imported fuels.

There is also definite need for stabilization as to time. In the past, subventions have been varied in amount without prior consultation. They have also been varied as to time for various reasons, one of which has been the amount provided for this purpose by budget has been used up and could not be continued. It is obvious that this variation in application should be prevented and should be definitely set out by statutory provisions for as long a term as possible. It is obvious that where contracts are entered into for the supplying of coal to a customer through a period of a year and in certain definite weekly or monthly quantities, that a dislocation of

the seller-customer relations can take place where subventions are discontinued on short notice, and this may occur at a time when a customer would not be able to purchase other coal. He would thus be penalized by having to absorb such amount as he had formerly received as subvention. This position makes it difficult to persuade prospective customers to enter into contracts for Western coal, and could be remedied as we have already suggested.

SECTION IV - GOVERNMENT CONTROLS

DOMINION FUEL BOARD

The Dominion Fuel Board, which was set up in 1922 composed of officials representing departments of Governments already engaged in the study of fuels and fuel problems, expressed its own conception of the functions to be the duty of advising upon, extending and supplementing the studies and investigations already in progress, looking to a solution of those problems.

It further expressed the view that it -

"cannot assume as its functions the formulation of a national coal policy, for this is a prerogative of Government, and any such policy so far as it concerns complete fuel independence must be determined largely by questions of national expediency, based however upon the most complete and accurate knowledge of all technical and economic facts obtainable."

In 1923, a Resolution was introduced in the House of Commons expressing, in part, the view that -

"in the opinion of this house, the time has arrived for Canada to have a National Policy in relation to its coal supply, and that no part of Canada should be left dependent on a United States coal supply."

The select standing committee on Mines and Minerals, to which the Resolution was referred prefaced its report and recommendations with the following statement:

"One statement may be made without any hesitation, that is, it is absolutely necessary that every step possible should and must be taken at once by Canada through its Government, its transportation companies, its coal operators and manufacturers of other fuels, to make Canada independent of other countries for its fuel supply."

The Dominion Fuel Board, while unable of itself formulate a policy, was nevertheless apparently starting out with the blessing of Parliament on its securing all the necessary information to enable Government to do so.

In its report in August 1928, it says among other things:

"Manifestly coal cannot be hauled 2000 miles from Alberta to Ontario at a cost lower than that of carrying it 500 miles to the same market from Pennsylvania and Virginia."

We appreciate that the question of making Canada self-sufficient in the matter of coal supply is not simply one of granting assistance, though that of itself may be a difficult problem, but must also be one for deep consideration on the part of high government levels because of the fact that the central Canada markets have been supplied by U.S. coal, and in period of emergency the assistance of the U.S. Government has been sought in order to guarantee the necessary supply.

We appreciate also that the Fuel Board would be faced with many and serious difficulties with respect to this matter and this Association does not wish to raise any quarrel with the Board on this account. We cannot but conclude, however, that government has seen no reason to view this matter from any other standpoint than that of straight competitive business, except to the very limited extent to which the subvention policy may have attempted to offset straight competition in coal supply.

I would like to add a note to the brief with respect to our comment on competitive business, that we do not appear to have sufficiently emphasized the competitive position here referred to, and would draw attention to the fact that all manufactured supplies we purchase in Canada are protected by substantial tariffs and all machinery which we purchase from the United States bears heavy customs duty. We are assisted, but in a very minor degree, by import duties and have no direct protection against imported fuel oil. (Continues brief):

As to the Board's duty in the study of fuel and fuel problems in its technical aspects, and the publications on these matters, we have a high appreciation of their usefulness--they are valuable in character and voluminous in detail. In the opinion of this Association these publications should be maintained and expanded so that greater knowledge of the uses of coal and of the most modern methods of utilization may be made available to the industry and coal consumers through channels where opportunities for investigation make their findings most authoritative.

During the war years the functions of the Board have been merged with that of Coal Control, and even prior to the war the Dominion Fuel Board had ceased to function as a Board because of removals and deaths. The work of the Board then seemed to be concentrated upon the Secretary who could act according to his discretion and within the regulations, or not act by disclaiming authority.

We would suggest that when the necessity for the Coal Controller's office and the Emergency Coal Production Board may cease, that the Dominion Fuel Board should be reconstructed as an active aid to the coal industry, and we would further suggest that a proper coal operator representative should be included thereon.

I think I might join with Mr. Morrison in suggestion also that Labour could very properly be represented on that Board. (Continues brief):

COAL CONTROL

While we have fully appreciated the necessity under wartime conditions of a Coal Control authority we are not satisfied that this Control has always been well informed, and this fact has involved decisions being made affecting the industry that have not always been in accord with the facts of the case.

Changes in authority and terms of reference have also made it difficult at times for us to appreciate the intention of the Government as expressed through this authority. We also fully appreciate the many divisions of authority outside of Coal Control that have affected this industry, and in many of these matters, particularly with respect to labour relations and labour supply, Coal Control has rendered assistance in difficult circumstances.

Under the original terms setting up the office of Coal Administrator it was accepted in principle at least that the purpose of the authority was to insure by all means in his power, continuity of coal supply. The intention as expressed personally by the Coal Administrator, however, was to definitely discourage increased production capacity by the expansion of mining operations in their ability to produce, apparently through fear that such expansion would only serve to aggravate our post-war problems. More recently the attitude of the Coal Controller has been that the authority conferred upon him by the terms of reference were only those contingent upon a shortage of supply, and where, as has been the case in the West, the mines have been able to produce more coal than could be consumed in the given area, the Coal Controller did not conceive that he had any special obligation to the industry, quite regardless of any dislocations in markets his actions may have produced.

It appears to have been overlooked that in addition to setting up a control with emergency powers to maintain supply, a further obligation to maintain production was implicit in transferring the authority of the Fuel Board to the Coal Control. Some of the things that have been done in this connection may be pointed out:

Immediately prior to the war and by the assistance of subventions, Western bituminous coal had reached into Western and some sections of Northern Ontario, and, as has been pointed out under the section on Marketing, railway coal was being used

East of Fort William. Because of increased Pacific Coast requirements and inability to procure sufficient coal from Canadian Coast mines, as well as mines in the Western United States, the Coal Controller allocated portions of our coal to the Coast area and cut off all shipments to the Ontario market.

It is also our understanding that he required the railways to purchased greatly increased quantities of U.S. coal for the Head of the Lakes, this being of the order of two million tons in each of those years.

In 1943 U.S. coal was being used in Saskatchewan by the railways. In December 1943 it became obvious that the requirements on the Pacific Coast had diminished almost to the vanishing point but no adjustment was made with respect to the importation of U.S. coal into the Head of the Lakes area for 1944.

The Coal Controller visited the West early in February of 1944 and this matter was then drawn to his attention, at which time he premised further investigation, and proceeded to the Pacific Coast for that purpose. It was discovered that some 740,000 tons, which it had been assumed the Pacific Coast area would require, would be shown to be surplus coal and we were advised the railways were requested to absorb this. However, the railways were already committed to the importation of U.S. coal and at the same time the Transport Controller, because of the movement of wheat, had insisted upon car supply being diverted for that purpose, which made it impossible for railways to move the surplus coal East. An effort was made by the railways to absorb this surplus from bituminous mines and, while this was particularly limited because of car shortage in the case of the Canadian Pacific Railway, both railways have attempted to carry out the request by putting coal in reserve dumps in the Western provinces.

Even with this arrangement considerable time was lost during the year 1944 and early in 1945, attributable either to shortage of car supply or lack of orders.

With respect to the stocks of coal that are now held in the West resulting from this policy, we have no definite information, but we view with some alarm the procedure followed, because we believe that if and when the railways decide to use this reserve coal, our operating time must necessarily be affected.

I would like to draw attention to the fact that my attention has been drawn to a statement by the railways that insofar as the Canadian National is concerned this policy has not resulted in their building up surplus stocks in the West. They have not any additional stocks as a result of that policy. (Continues brief):

We fully appreciate that it is not always possible to obtain absolutely correct information and this is particularly true when one is compelled to make estimates as to possible requirements, but we feel that the full responsibility for conditions arising out of these matters should not now be left for the companies to bear themselves.

With respect to assistance given by Coal Control to the industry we freely admit that the Coal Controller has in general accepted such responsibilities as were directly traceable to Government policy, and he has in a large measure reimbursed companies whose costs were adversely affected by these policies, particularly such as have been directed towards meeting the demands made by labour. Some exceptions to these cases will be treated under "Labour Relations."

Where the need for such further assistance has developed and has been given, this has been made dependent upon the inability of the company to carry the increased costs rather than upon the justice of the case, and unless and until any company could show that it was threatened with bankruptcy the need for such further assistance would not be recognized.

In any case such assistance as has been given has in general been based upon the full-time operation of the mines,

and this of itself raises a serious question when we consider the post-war situation, because with any reduction in markets and necessarily a reduction from full-time operation, it is obvious that the additional cost burdens imposed will have to be met on a smaller tonnage and with the obvious result of increasing costs without a parallel improvement in revenue.

We believe we face a period of readjustment and so long as we have controls exercised by Government authority, this industry should be consulted prior to administrative action being taken.

Mr. Chairman, I would like to add to that page a short statement: I should here emphasize that disturbance of normal markets has not been taken into account in making readjustments to meet increased costs, and this must be taken into account during the readjustment period following the war.

EMERGENCY COAL PRODUCTION BOARD

The Emergency Coal Production Board was set up under P.C. 10674 of November 23rd, 1942, and as its name implies, was for emergency purposes. The terms of reference have been frequently interpreted as confining their actions to obtaining a sufficient fuel supply in the critical fuel areas and of disclaiming responsibility where there may be surplus coal in the areas allocated to Canadian mines.

We have repeatedly made requests that a proper representative of operating interests should be placed on that Board but this request has been repeatedly denied, though a representative of labour has been on the Board from its inception.

We still firmly hold to the opinion that the operating end of the Canadian Coal Industry should be represented on the Board, and that the continual refusal is an exception to a policy which has recognized the employing side in almost every other important industry in the Dominion.

SECTION V - LABOUR RELATIONS

With respect to labour relations we have covered these for the long term in the section dealing with the history of our Association.

From January 1940, when the United Mine Workers of America served upon this Association a request to join in asking the Government to set up a Cost of Living Commission, to February 1944, when Government Regulations providing for cost of living bonus were rescinded, adjustments were made by such Bonus payments, and a condensed summary of these adjustments and methods of recovery is here given:

1st Award - 18¢ per day in effect January 1st, 1941 to August 31st, 1941. This was recovered by a price adjustment. On Railway coal this was 5¢ for Cost of Living Bonus and 2¢ for material costs.
(18¢)

2nd Award - 28¢ per day in effect September 1, 1941, making a total of 46¢ per day. This 28¢ per day was allowed to be passed on to the customer and was to be shown as a surcharge separate from the normal price. The basis used by Coal Administrator was steam coal production of 4 tons per manday. This was slightly too high a figure to use. We also protested that no allowance was made for Workmen's Compensation assessment.
(46¢)

3rd Award - 15¢ per day in effect November 15, 1941 by P.C. 8253, making a total of 61¢ per day.

(61¢) Under date March 2, 1942, Form F.1 was put out by Coal Administrator with instructions. It set rates of assistance which included Workmen's Compensation Board assessment retroactive to September 1st; ordered the Surcharge to be discontinued as such and included in the normal price, but to be accounted for on the return. This took care of the 2nd and 3rd awards.

4th Award - 10¢ per day in effect August 15, 1942, making a total of 71¢ per day. By circular letter of April 27, 1943 the Coal Administrator continued the former arrangement by Form F.14 and adjusted the Workmen's Compensation Board assessment rate to 10% retroactive to January 1, 1943.
(71¢)

5th Award - 6¢ per day increase in effect November 15, 1943 by order of the National War Labour Board under P.C. 8253 and taken care of as above until February 15, 1944, when P.C. 9384 becomes effective.
(77¢)

In addition to this short summary we had already prepared a more lengthy review of these matters, including a review of the negotiations with various Government authorities pertaining thereto and copy will be provided to the Commission as an exhibit.

Exhibit 119 - Summary as to procedure by which
cost of living bonus was introduced,
developed and finally rescinded

BY MR. FRAWLEY: How do you describe this, Mr. Stubbs?

MR. STUBBS: That is a general summary as to the procedure by which the cost of living bonuses were introduced, developed and finally rescinded. (Continues brief);

In addition to such changes as have been brought about by the foregoing Regulations, application to the National War Labour Board by the United Mine Workers of America, District 18, of date January 13th, 1943 (granted July 2nd, 1943) resulted in upward adjustment of payment for overtime at time and one-half in categories not previously included, and time and one-half for Sundays and holidays, or for the seventh day in cases of continuous employment as the case might be.

These changes were made without any compensating adjustment in coal prices or assistance.

In 1943 the United Mine Workers, notwithstanding the Agreement then in force nor the Government regulations, made demands on the Association for increased wage rates, holidays with pay, and extension of overtime payments to include the sixth day worked, and, as a result of the findings of a Commission under the Chairmanship of Mr. Justice O'Connor, wage rates were increased by \$1.00 per day, together with the granting of two weeks' holidays with pay under stated conditions.

Provision for recovery of the cost was made through the Wartime Prices and Trade Board, though we are now placed in the anomalous position that with less working time our employees can more easily qualify for holidays with pay and the increased cost will have to be carried on less production.

Our present position as affected by the foregoing matters is that we have reached an all-time high on wage rates.

To show the immediate effect on the Industry we have prepared a statement which, starting at the year 1926, shows a comparison between our standard day wage rate, including the Cost of Living Bonus when this applied, the realization per ton of coal, as well as the Cost of Living Index figures.

Relation of Miners Basic Wage Rate to Realization Per Ton				
(1)	(2)		(3)	(4)
Year	Day Rate	Realization Per Ton	Ratio	1935-1939 Base Cost of Living Index
1926	\$5.20 & 5.40	\$3.6116	1.44	121.8
1927	"	3.5945	1.45	119.8
1928	"	3.5750	1.45	120.5
1929	"	3.5902	1.45	121.7
1930	"	3.5879	1.45	120.8
1931	"	3.4449	1.51	109.1
1932	"	3.3737	1.54	99.0
1933	"	3.2451	1.60	94.4
1934	"	3.2585	1.60	95.7
1935	"	2.9980	1.73	96.2
1936	"	2.9325	1.77	98.1
1937	"	2.9060	1.79	101.2
1938	5.40	2.8697	1.88	102.2
1939	5.78 & 6.18	2.8226	2.05	101.5
1940	"	2.8174	2.05	105.6
1941	6.00	2.9199	2.05	111.7
1942	6.35	3.0385	2.09	117.0
1943	6.49 & 6.89			118.4
1944	7.55 & 7.95			126.7

I would draw attention to the fact that in the ratio we show how much coal at the realization per ton is required to pay the specific basic miner's rate that we have shown, and that has changed from 1.44 in 1926 to a high of 2.09 in 1942. Since making up this brief, we had previously requested Coal Control to supply us with the additional information that would permit us to complete it, and I would now like to make it a matter of record that for the year 1943 the realization per ton is 3.1576 and the ratio is 2.05, and for 1944 the realization figure is 3.7738 and the ratio 2.0.

BY MR. FRAWLEY: That goes back to 1926?

MR. STUBBS: Yes. We anticipated by the changes that were taking place that the effects of assistance coming in between the years would begin to show themselves in 1944, with

some improvement in 1943, but the lag in assistance and in these rates generally causes that difference. (Continues brief):

The foregoing statement gives a comparison between the basic day wage rate (1) for a miner taken to do Company work, and the realization (2) per ton of coal on all coal shipments. The rate is taken for convenience, but had the minimum day wage rate been used, a greater variation would result.

The Ratio (3) shows in any year how many tons of coal it required to pay that particular rate and how this figure has grown progressively. It should also be noted that this was the case through the depressed years and that during that time no attempt was made to adjust this by reducing wages.

The Cost of Living Index figure (4) also indicates the measure of real wages.

We have no desire to reduce the standard of living achieved by our employees, and if this is to be accepted as a desirable objective from all viewpoints, it can be accomplished only by maintaining to the mines approximately steady employment.

At this point I would like to interject another addition we would like to make. Modern political trends appear to be encouraging the idea that it is possible to determine and pay an annual wage without regard to employed time. This view was introduced before the McGillivray inquiry, the statement being made at that time that if so many days work per year could be provided the wage rates were sufficient to provide proper annual earnings. We have now proceeded a long way past the objective then considered desirable, but this has not precluded further excessive demands. We can most clearly see, however, that any proposals for a definite minimum annual wage must be accompanied by an equally definite obligation to work on a given number of days, and this would require a continuous outlet for the coal producer to make it possible. In other words, we can't produce coal and store it at the mine. It has to be put in railway cars and taken to destination.

(Continues brief):

With respect to the general Regulations for the Control of Wage Rates and Labour Relations we raise no question as to the necessity or otherwise for these; we would, however, point out that where extended privileges have been granted they should be accompanied by parallel responsibility.

Collective Bargaining has been within the experience of our Industry for a long number of years, and with that experience we cannot say that it gives any guarantee of continuity of operations.

In connection with these matters we are taking the liberty of quoting from a Brief submitted by our Association to the National War Labour Board and which will be found on Page 872 of the Official Record of Proceedings, No. 9 of June 3rd and 4th, 1943:

"Statutory regulations should be so designed as to achieve the necessary control in such a way as to not disturb normal established arrangements between the parties and so as not to permit either of the parties violently to disturb them to the detriment of the national purpose. This having been done, such regulations should be impartially and fearlessly enforced, which in our experience has not been done."

"It does not appear consistent that an employer be compelled by Statute and Regulation to do certain things repugnant to himself unless there is a parallel control of strike or precipitate action."

"Agents of employees, as well as the employees themselves, should be held accountable in the same manner as accredited representatives of incorporated companies for breach of established law, and this is not suggested as a weapon of persecution but one of simple justice."

We believe that if collective bargaining is to continue to be the means by which wage rates and labour relations are to be determined, then a higher regard for honest and faithful performance must be developed, and responsibility for carrying out agreements arrived at should properly be placed upon all parties to such agreements.

SECTION VI - TAXATION

Regarding taxation, we have^{no} complaint to register so far as the wartime taxes imposed by Government upon the nation generally have fallen in their proportionate share on the Coal Industry. They are made under conditions and for a purpose which are of paramount importance to the future of all our industries and ourselves.

We do feel that the imposition of new tax laws and of increased impositions under old laws should be regarded from the same standpoint as that which prompted the Dominion Government to set limits to wages and prices.

The Dominion Government in doing so recognized that adjustments would be necessary under certain circumstances and made them in the interest of maintaining the policy accepted by most Canadians as a wise and necessary one. It seems paradoxical that while the Federal authorities are granting assistance to maintain this structure, companies should be called upon to pay out larger amounts for taxation and other assessments, which in our opinion could well wait the advent of more settled conditions and times.

SECTION VIIControl Over New Operations

The need for exercising a measure of control over the opening of new properties has long been recognized in Alberta. As long ago as the year 1919 a commission was set up under the Chairmanship of Mr. John T. Sterling, then Chief Inspector of Mines, to conduct an Inquiry into the Coal Industry, and in the published report we find, -

"Recommendation No. 5:

"That before mining operations are commenced, the advisability of opening a mine in any particular field, as well as the question as to the amount of capital required to open in that field, be referred to and approved by the said Commission, and that the administration of the regulation passed by Order-in-Council P.C. 2303, by the Federal Government, a copy of which is herewith attached, be vested in the said Commission."

Another Commission in 1925 under the Chairmanship of Mr. H. M. E. Evans reported upon the need for, as also the difficulties of control.

The report of Commissioner the Rt. Hon. Sir Montague Barlow, in 1935, also says, -

"It is clear that a definite policy regulating the control of opening of new pits is desirable,..."

An Inquiry under the Industrial Disputes Investigation Act under the Chairmanship of the late Mr. Justice McGillivray, the published report of which is found in the Labour Gazette of January 1939, also dealt at length with this matter and referred to there being "too many mines and too many miners," and suggested the consolidation of some of the operations.

We fully appreciate the difficulty inherent in any proposals for control to the point where privately owned coal lands could be held inactive, but Government policy for a number of years has been to at least discourage the opening of new mines. This policy has recently been changed with respect to lands that were under the control of the Crown, and reference to this can be found in the Alberta Gazette for August 31st, 1944, on page 757 (Vol. 40, No. 16).

We can agree that it would be difficult for any Government to refuse permission to develop any of the Natural Resources of the Province where individuals or corporate bodies are willing to risk private funds in the development, but we consider it quite within their authority, in view of the possibility of new developments bringing about a renewal of the former uncertainties of operation, to retard or even to refuse permission to start developments on new properties until such time as it becomes apparent that expansion of production to meet new market requirements is necessary.

Insofar as the Dominion Government may be able to exercise some control in this matter we would suggest that they would also accept our views with respect to control.

Some control also may be exercised by returning to the original subvention provisions.

By P.C. 3064 dated April 20th, 1943, Section 6 of Order-in-Council P.C. 7588 was suspended until the expiration of three months after the cessation of hostilities of the present war. Section 6 reads:

"The assistance shall apply only to shipments of coal from coal mines or coal properties operating under requisite permit and shipping coal prior to December 31st, 1930."

This Order in Council covers assistance for both commercial and railway sales in the Province of Ontario.

Whatever may have been the intentions with respect to this Order in Council, the end result is that operations which may have commenced during the war period or in connection with which attempts to organize are now being made, subventions have been made available to them for such coal as it may be possible for them to ship as the result of operations that can be or have been commenced before the expiration of the war.

While appreciating the provision that sets a terminating limit, we also are of the opinion that where an operation may have started and received subvention assistance, there can be arguments adduced to assure its continuance, and so aggravate competition for the restricted markets which we anticipate we may find in the post war period.

We would suggest that P.C. 3064 be rescinded.

SECTION VIII MECHANIZATION OF THE INDUSTRY

Mechanization

Much thought is being given to complete mechanization as a means of improving the tons per man, and so improving the general conditions of the Industry with respect to prices and wages.

By complete mechanization we mean the application of power driven machinery in the process of cutting, drilling,

loading and transporting the coal, with the use of explosives for breaking down the coal.

The American Bituminous Mines lead the world in the matter of underground mechanization, and it may be asked why the Western Canadian Bituminous Mines have not followed their example on a larger scale.

However, even in the United States, underground mechanization has not been a cure-all, has not been found applicable everywhere, and there is in addition many natural or man-made obstacles in Western Canada.

Figure 10 and Table 14 of the U.S. Bureau of Mines #1238 Survey, shows that machine cutting started at a much earlier date than mechanical loading, which is recorded only from 1923 on.

Year	Percent cut by machine <u>Underground</u>	Percent loaded Mechanically <u>Underground</u>	Total tons per man per shift (including strip mines)
1920	60	0	4
1923	68	0	4.7
1932	80	15	5.3
1936	84.8	16.3	4.62
1939	87.9	31.0	5.25
1943	90.3	48.9	5.38

"Tons per man per shift" should be corrected, especially in the latter years, for the increasing tonnage of coal mined by stripping methods (6.4% of total production in 1936 and 13.5% in 1943, with a production per man per day in strip mines of 15.39 tons in 1943). In the 1943 figures were adjusted for the increased influence of strip mining, it is evident that the production per man-shift underground in 1943 would be found inferior to 1932's.

Hence, tremendous underground mechanization in the U.S. has just managed to keep up the output per man-shift against other influences which, since, 1932, have tended to reduce efficiency.

As mechanical mining was progressing, the proportion of rock contained in the output increased, until in 1943 up to 13.5% of refuse had to be extracted by the cleaning plants (page

57 of M.M.S. #1238).

50.2% of the mechanically mined coal had to be cleaned in 1943 as against 25.8% of the hand-mined coal. Both facts confirm that machine-mined coal is dirtier than hand-mined coal in the same mine, as is well known.

M.M.S. #1238, pages 39 and 48, gives the figures of tonnage out or loaded per machine underground. This permits to figure out the capital depreciation per ton of coal handled, as is shown in the following information (no interest on capital is charged).

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Type of Machine	Average Tonnage Per Yr.	Life of Machine (Yrs.)	Total life Production (Tons)	Price of Machine in U.S.	Deprec. per ton Capital only	Upkeep per Ton
Duckbills	18,692	6	112,152	\$ 5,000	4.5¢	4.5
Mobile Loaders	70,894	8	567,000	12,000	2.1	4.
Hand-loaded Conveyors	13,476	6	80,856	2,000	3.	3.
Shortwall Cutters	39,555	12	474,660	4,000	1.7	1.5
Power-drills		5		280 - 550		.5

The figures in columns 3, 5 and 7 have been compiled from various American magazines (Mechanization, Coal Age) as well as the following:

1. Power consumption in Bituminous Mines in 1943

Average 6 K.W.H. per ton for mines producing from 30,000 to 60,000 tons per month, at cost of 1.4¢ per K.W.H., or 8.4¢ per ton.

2. Explosives

5 oz. @ 15¢ per pound equals	5.0¢	per ton of coal
Half a detonator (7¢ each)	3.5	" " " "
	<u>8.5¢</u>	" " " "

3. Superintendence

Each unit of mechanization, comprising 3 to 4 crews (coal cutting, drilling, loading, timbering and tracklaying crews) dealing with generally three working places or more (in flat seams), and numbering 8 to 18 men; is under a "supervisor". This in order to assure proper rotation of the crews, timely delivery of materials and mine-cars, and general co-ordination, preventing any of these costly machines from being idle.

This is probably twice the proportion of officials in hand mining, and costs at least 5¢ per ton.

"Cost of mechanization" per ton in the case
of a duckbill and shortwall cutter with power drill:

Depreciation per ton	(Duckbill	4.5¢	
	(Shortwall		
	Cutter	<u>1.7</u>	6.2¢
Upkeep per ton	(Duckbill	4.5¢	
	(Shortwall		
	Cutter	1.5	
	(Power drill	<u>.5</u>	6.5¢
Extra consumption of electricity as compared to hand-loading			
			4.
Explosives (charged against the company in mechanization)			
			8.5
Increased percentage of refuse, assumed at an average of 4 or 5 percent			
			10.
Increased superintendence			
			<u>5.</u>
TOTAL "Cost of Mechanization" per ton			40.2¢

The above figure of 40¢ is a fairly accurate figure which evidently cannot be wrong by more than a few cents. But we cannot find anywhere any reliable computation of the savings assessable to mechanization. Private estimates vary widely, because it is difficult to compare the cost of several mines (mechanized or not) even in the same district. Also, the few available estimates (varying from 15¢ to 50¢ savings per ton) are calculated on different bases, some forgetting, for example, to charge explosives as an extra cost against mechanization, or extra superintendence.

The average value of U.S. Bituminous coals (M.M.S. #1238, page 29) varied from \$1.83 per ton in 1936 to \$2.69 in

1943 (including selling expenses, paid vacations, superintendence, royalties, taxes, depreciation, depletion, etc.) By comparison with such low values the above figure of 40¢ looms relatively large and suggests that the "net profits of mechanization", that is to say the difference between the total savings obtained and the 40¢ "cost of mechanization", must be slim in the average American mine.

Mechanization in Canadian Mines

It would be unfair to believe that Western Bituminous mines have not already done a good deal about mechanization. Most of them already use the pneumatic picks (which have replaced explosives to a large extent in pitching seams to the best interests of safety), coal cutters to a degree, and also conveyors, duckbills, and other loaders. But it must be admitted that conditions are far less favorable in Western Canada than in the States.

(A) Physical Conditions

In flat seams, as is the general case in the States, mobile loaders and coal cutters are used in rotation between two or three neighboring places. But in Western Canada we have pitching seams, and the transportation of machines from one place to another is generally uneconomical. Hence we have to use a complete set of machines in each working place, which is a higher capital investment than in the U.S. for a given production.

(B) Man-made Obstacles

- (1) Practically all that type of machinery is imported from the United States at a cost 43% higher than that paid by U.S. Mines (duties 10%, taxes 22% and exchange 11%).
- (2) Electrical machinery of the "approved" type is in general use in American Bituminous mines, and gives a low consumption of electricity. In Canada, the law does not allow us to use electricity at the face

in bituminous mines. The cost of compressed air is 3 or 4 times that of electric power under the same conditions.

Also, a mine producing say 400,000 tons per year will have to add, for complete mechanization, two additional compressors and another 6 or 8" air-line, at a cost of about \$80,000, or an additional depreciation of 2¢ per ton produced.

- (3) In Canada, permissible explosives cost 17.5¢ per pound instead of 15¢ in the U.S. Also, Canadian law is very restrictive in the matter of explosives. It must be said here that the use of explosives is the sine-qua-non condition of mechanization; without it, it is not possible to give enough coal to a loading machine to make it work economically. With our Canadian laws, a company which desires to mechanize its operation may find itself compelled to use Cardox, a device which uses Carbon Dioxide in steel shells, but costs 90¢ a shot (80¢ for supplies and labour, plus 10¢ for depreciation of the equipment).

Cost of Explosive or Cardox in Canada:

Powder:	explosive	~	6.0 ¢	per ton
	detonator		3.75¢	" "
	TOTAL		<u>9.75¢</u>	" "

Cardox:	90¢ per 5 tons			
	of coal pro-			
	duced, or		<u>18.0 ¢</u>	" "

- (4) Due to the higher value of coal in Canada, the higher proportion of rock loaded by machine has a heavier incidence than in the U.S.

BY THE CHAIRMAN: May I bring you back to page 65, the last part of sub-section 2, which states: "Also, a mine producing say 400,000 tons per year will have to add two additional compressors." You are speaking of your own Western mines?

MR. STUBBS: That's right, where we cannot use electricity and have to use compressed air. (Continues brief):

Tentative Cost of Mechanization in Western Canada
in the case of Duckbill and Shortwall Cutter:

Depreciation of machinery at 43% increase over U.S. figure	10.0¢
Upkeep per ton, retaining the American figure although the upkeep of compressed air equipment is higher	6.5
Extra consumption of compressed air as compared with hand loading	7.5
Depreciation of extra compressors and pipe lines required by mechanization (see above)	2.
Explosives charged against company	9.75 to 18.
Increased proportion of rock	15.
Increased superintendence	5.
Total estimated Canadian cost of Mechanization	55.75 to 62. ¢
or average of	59. ¢

The above figure looks high and difficult to compensate by an equivalent reduction in the mining cost. It is our belief that not much saving will be found in mechanization on the average, except in those few mines where an excellent roof makes it possible to dispense with timbering, which in the majority of our mines slows down considerably the machinery.

Should we then say that Western Canadian mines should not enter the field of mechanization? That is not our conclusion, because, apart from the financial angle, there are strong reasons why we should mechanize.

1. Safety - The present contract system puts a premium on pillar-extraction, which under pitching conditions is the most dangerous phase of production. Probably 50 percent or more of the coal produced at present comes from pillars. With mechanized means, if coal could be produced in tight work at a price comparable to pillars, it would be possible to reduce the size of the pillars and have 75 percent extraction by narrow work, so reducing the danger of pillar extraction by half. There are also fewer chances for accidents at a mechanized face since it is level and thus less subject to falls of coal. The men, instead of working at the face proper, are for most of the time behind the controls of the various machines, that is to say at least a few feet away from the face. Now, it is known that falls of roof and coal at the face are the greatest mine hazard.

Finally, since mechanization means closer supervision of the face, there is better assurance that safety rules will be fully enforced.

2. Mechanization means the elimination of arduous physical labour, and as such holds more attraction to the men. The young men who will come back from overseas are now trained to the use of intricate machinery, and like it because it requires intellectual ability; mechanized mines will appeal to them, and may attract more of that desirable class of labour than the non-mechanized ones. Skilled labour for hand-mining is getting scarcer, and our face crews are at present composed of old men whom it will be difficult to replace.

A mechanized crew is easier to train rapidly because of simple cyclic operations, and of safer operating conditions (flat work, reduced pillar work) which do not require the same long practical experience.

3. It is hoped that mechanized mining will remove at least part of the causes of friction with labour. The present agreements are complex because the contract rates have to meet varying conditions. Many of the clauses dealing with contract rates were written more than 30 or 35 years ago, and give rise to innumerable conflicts of interpretation; it is practically impossible to alter them at the time of renewal of contracts because of the complexity of the work involved. In other terms, contract rates are a constant source of suspicion, bickering and hostility between Management and Union. On the contrary, a mechanized mining structure is much simpler as it consists only of a few day rates, and those are perforce identical at all mines in the district; there is less room left for misinterpretation and disputes.

For all the above reasons, the Union has co-operated with the companies in the United States towards the spreading of mechanical mining.

In conclusion, our position in regard to Mechanical Mining is as follows:

There is probably no financial advantage in Western Canada Bituminous mines in mechanization over hand-mining with contract rates, due to the higher cost of equipment, costly explosive, compulsory use of compressed air, and pitching conditions.

We find, however, determining reasons towards mechanization in greater personal safety to the crews, better relations between labour and management, greater appeal of mechanized mining to labour, and easier recruiting and training of miners.

I would like to add to that also a further note, that any hope for success in mechanization demands complete co-operation between the operators, the Union, the Provincial Mines Branch and the Federal Government: the operators by providing capital and technical information and training; the Union by accepting such operation and facilitating the training of crews; the Mines Branch by adjusting the regulations; the Federal Government by the removal of duties on imports of essential machinery and by assisting to secure wider markets. (Continues brief):

Other Considerations

Synthetic Processes and Competition

We have already dealt with markets in great detail and have particularly stressed the shift in markets and market areas that have taken place during the war years. It is possible that a high rate of consumption may be maintained for some appreciable period post-war, but if we are to be guided by past experience (and who can afford to ignore this) we must face the real possibility of a recession in consumption.

We have shown our great dependence for operations upon the railway requirements and the relatively minor effect of other industries. The immediate future of our industry is definitely proscribed by these factors.

At the present stage we have reached in Western Canada the story is one of the primary production of raw coal with secondary processes confined so far to coking and briquetting.

The future of the Industry is often represented as one in which there will be very little of the above activity and instead the conversion of coal into various products such as coke, gas, oils and their derivatives by various chemical processes, some of which are already in practical operation elsewhere and some of which are still in the laboratory stage.

With no intention or desire to discount the march of progress, we believe the utilization of the various processes referred to is, in Western Canada, still a long way off. We endorse regretfully but sincerely the views of Dr. Allan Cameron of Nova Scotia, given in part before this Commission and in part published in the Bulletins of the Canadian Institute of Mining & Metallurgy. For those with optimistic views we would recommend a perusal of the expert evidence gathered by the Sub-Committee on Senate Resolution 53 dealing with Synthetic Liquid Fuels and published by the United States Government Printing Office. In this publication it is shown that the comparative excessive capital needed for plant construction relegates coal a long way down the list as a possible source of supply. Speculation as to these possibilities does not change the fact that we must continue to be primarily concerned with the production and marketing of raw coal and its immediate products, and this definitely in competition with other types of fuel and energy.

Oil, most of which is imported, offers severe competition, and if the hopes of oil men in the Province of Alberta are based on observed facts, we can expect this competition to increase in severity.

Natural gas in local areas offers even more severe competition than oil, and for those who visualize the development of chemical and synthetic industries as an aid to coal consumption we would point out that natural gas offers far wider possibilities than coal.

We have made reference to the matter of industrial development possibilities in the West and have expressed the

opinion that there does not appear present prospects of any such development as may affect the market for coal within a reasonable time. We believe any such development can only be gradual, and we have no fear as to our ability to take care of any new requirements that may develop in this direction.

We have already described our coal reserves and we believe it can be accepted that these are more than adequate for our potential markets. We have a high productive capacity, utilizing as far as possible modern equipment, and our mines have been progressive in improving the preparation of coal with modern washeries and cleaning plants.

In the life of our Industry with its many ups and downs and its considerable variation in tonnage requirements, we still have managed to operate, and we are at the present time on a self sustaining basis. The production of our coal and consequent steadiness of employment is in the first instance, and will, we expect, continue to be, dependent upon the prosperity of Western Canada, which in turn is dependent upon agriculture.

We have also previously pointed out that the only factor we know which would offer the possibility of reasonably steady employment, and taking into consideration the variation of tonnage required in Western Canada, is the distance Eastward that our coal may be moved, and this is of course dependent on the wisdom of Government in the application or otherwise of subventions which will assist this move.

SECTION IX

Summary and Recommendations

1. There is no lack of reserves at operating mines.
2. The full productive capacity has never been fully utilized.
3. The problem is one of markets.
4. The Railways provide the real market, with secondary operations, general industry and commercial needs less than 25 percent.

5. Wartime changes have compelled a westerly movement and again brought United States coal into the Prairie Provinces.
6. For reasonable operating time it is essential that we should be assisted in the recovery of former market areas
 - (a) by Government assistance in the form of stable subventions;
 - (b) by the full co-operation of such Government authorities as may be continued and as affecting the Coal Industry, and by operating representatives appointed to any direct control authority that may be set up or continued;
 - (c) by the co-operation of the Provincial Government through the Departments of Lands and Mines and of Trade and Industry;
 - (d) by the co-operation of the Railways in extending the use of Western coals to at least the areas in which they have formerly been used, and also in the continuation of a policy of orderly purchasing of supplies as this affects the proper spread of working time.

If, as is indicated in so many public pronouncements, Government policy is now to be directed towards the provision of full time employment, then it becomes obvious that if the Western Bituminous Coal Industry is to be considered as part of this general plan, steps must be taken to provide the necessary market and tonnage to guarantee reasonably full-time operation and employment.

We believe we have suggested practical steps towards this end.

Closure

In dealing with the industry, we have emphasized chiefly the production of our products. We need hardly point out that in its relation to the economy of Western Canada, that is only one part of it.

Around our coal mines have grown up towns housing the mining population, and businesses catering to them. Railways and bus lines serve these communities, and the product of the mines goes out in revenue freight. Railway employees share in the created work, and when the product reaches its destination other hands take over and in turn find their livelihood in distribution, in turn enabling them to take their places as

citizens in the communities of their choice.

From all go a portion of the receipts of their activities to support Government, municipalities and rural districts, and from the mining communities with which we are most intimately connected, none can say that it has not been freely and generously given.

It is the coal industry, but it is also an integral and vital part of the life of Canada.

Mr. Chairman, I want to thank you and the Commission for having had the opportunity of appearing before you to present our brief.

12.20 P.M. - COMMISSION ADJOURNED

AFTERNOON SESSION

The Commission resumed at the Court House at 2.30 P.M.

BY MR. FRAWLEY: Mr. Chairman, Mr. Stubbs has intimated to me that probably Mr. Ewart, of the Crows Nest Pass Coal Company, would be able to answer some of the questions, particularly those dealing with marketing, so with your permission both Mr. Ewart and Mr. Stubbs will be sworn and answer questions.

Oath administered to Mr. Ewart and Mr. Stubbs by the Chairman.

BY THE CHAIRMAN: Your oath concerns primarily facts. The opinions that you express will of course be based on reason, and information that you get from parties, you will give the source of your information.

BY MR. FRAWLEY: I will ask you the questions, Mr. Stubbs, and you can then refer to Mr. Ewart as you wish.

Q On page 25 of your brief you speak about your supplying certain Ontario markets and you mention particularly Kapuskasing, Timmins and Kirkland Lake. Will you tell me why you have never supplied the gold mines at Noranda, which are in the same general area?

MR. STUBBS: I would prefer that Mr. Ewart would answer that question because he is more familiar with marketing.

MR. EWART: Noranda is in Quebec, and the order-in-council did not apply to shipments to the Province of Quebec.

Q You are familiar enough with the order-in-council so that we can put that on the record?

A Yes sir, I would say I was familiar with them to that extent.

Q Have you got the number of the order-in-council?

A Yes sir, it is P.C. 740 and 3286. Dated April 24, 1933, 740, which granted a subvention of \$2.50 in the area where the freight rate was \$8.00, Province of Ontario.

Q And that P.C. limited the shipment to destinations in Ontario only?

A Yes sir.

Q And if Noranda had been across the line in Ontario you would have had that business?

A That is correct. The \$8.00 freight rate also has an influence on it because the \$8.00 freight rate is limited to the Province of Ontario.

Q The destination had to be in Ontario and the freight rate \$8.00 or in excess of \$8.00?

A That's right.

Q And those two points limited you to the Province of Ontario definitely and would not allow you to go a mile into the Province of Quebec to take a new account?

A That's right.

Q Did you consider the Noranda mines as a market?

A Individually I did not. Some others may have.

Q These subventions were all established by orders-in-council?

A Yes sir.

Q I take it that amending orders-in-council were passed fairly frequently?

A Yes sir.

Q I am wondering whether you made any attempt to enlarge your business by going into Noranda?

A No sir.

Q Now there is another large account, International Nickel Company at Copper Cliff. Did you ever make any efforts to get that business in the Western mines?

A No. In our brief we do point out that the area we are really contained in is the area where there is a substantial freight haul on American coal. Copper Cliff is adjacent to the Lakes, so there is a low freight rate on United States coal. When we ship to Kirkland Lake the freight on United States coal is \$3.38 and \$3.78 per ton, and that is what enables us ---

BY COMMISSIONER McLAURIN: Is that Canadian freight haul?

MR. EWART: From Midland to the Timmins area, that's right.

BY MR. FRAWLEY: Of course Copper Cliff has been going to the Nova Scotia mines for a long time.

MR. EWART: Well, they have the water haul.

Q Then they have a rail haul of some 400 miles from Three Rivers to Copper Cliff?

A Yes.

Q These questions are really designed to get from you some statements as to the workings of these orders-in-council, as to how the business is divided between Western and Nova Scotia mines. I thought nobody better than yourself could perhaps explain the workings of these P.C.'s.

A Generally speaking, in the area east of Fort William, where the net freight rate has been \$5.50--that is the \$8.00 with the \$2.50 subvention--we have found ourselves in competition in the areas close to the Lake ports, but only competition with United States coal in the area where the freight rate is something like \$2.50, \$3.00 a ton or higher. For that same reason we have not considered ourselves competitive in the Toronto, Hamilton or Windsor area. They are adjacent to Lake ports with United States coal moving in with very low Canadian freight haul.

Q Did you ever consider taking your coal to the head of the

Lakes and taking it down by boat to the Sault, and then a comparatively short rail haul to Copper Cliff?

A Under the existing subvention policy I don't see how it would be practicable. We have freight rates roughly speaking \$6.50 to \$6.70 a ton from the respective mines to Fort William.

Q Net or gross?

A Gross. And you have a subvention of 25% on freight rate, you still have approximately \$4.00 a ton, then there has to be unloading, shipping down the Lakes, breakage in the coal, transshipment at destination point unless it could be used locally, and there are many handling items involved, and slack coal is probably the only class of coal that would handle without a breakage loss. Stoker coals and those types of fuel which have to be screened and delivered in good shape to a customer would have quite substantial breakage.

Q Of course at Copper Cliff it is all pulverized down before it is used?

A Of, there would be that class of coal, all right.

Q That is 50,000 tons a month.

A We would very much like to have it.

Q But there would have to be a change in the subvention set-up?

BY COMMISSIONER MORRISON: You are speaking now of Crows Nest Pass coal?

MR. EWART: The industry; but we wouldn't object to enjoying it individually.

BY MR. FRAWLEY: You say you would have to have a change in the subvention set-up? You would have to have a different order-in-council?

A We would have to have different transportation costs to Copper Cliff than we have at the present moment.

Q And because the tariff rate is \$6.50 from your mines into Fort William then you get no subvention?

A We don't get \$2.50 but there is an order-in-council which we deal with in the area west of Fort William and under that we are allowed the difference in cost between United States coal at those destinations and Canadian coal at those destination points, up to a maximum of 25 per cent.

Q At the moment I haven't got the Nova Scotia order just in my mind, but I think that they have a subvention of a maximum of \$2.50 from discharge point at Three Rivers or Montreal into Lake ports, and then in addition a maximum of \$1.00 from Lake ports into the plant.

A Yes, but their total rail haul is probably only 400 miles as against the rail haul from Western mines, all the way by rail.

Q And then of course they endeavor to move most of it by water haul and then the rail haul is only from Georgian Bay ports to Copper Cliff?

A Yes.

BY THE CHAIRMAN: Just before leaving that, it seems to me that there is some discrimination against you people out here, taking Nova Scotia into the picture. The freight rate from Levis or wherever they dump their coal isn't \$8.00, is it, or more?

A The freight rate from our bituminous mines to the Ontario area east of Fort William is \$8.00.

Q I know it is. I want to get back to that Lake port business, where they discharge their coal for Ontario points they are not 800 miles from Levis to their point of destination? I don't mean 800 miles; I mean \$8.00 a ton. I understand how they do it, notwithstanding they take their coal to Montreal by water, on the basis that the rail haul from Sydney to the Ontario market is over \$8.00 a ton.

A Their subvention is based on the assumption that it was an all-rail movement?

Q I think so.

BY MR. FRAWLEY: The rail haul certainly from point of discharge at Three Rivers to Copper Cliff wouldn't be \$8.00.

BY THE CHAIRMAN: No. I say it is rather discriminatory against those people out there. Did you ever, Mr. Ewart, attempt to look into that thing, as to whether you would not be entitled to the same thing, your rail haul to a point on the Lakes, then by water and then by rail again?

MR. EWART: Well, sir, unless the total freight rate ended up by being less than \$8.00 per ton we would have no advantage, and we understand that that \$8.00 rate is an out-of-pocket rate at the moment on an all-rail basis.

Q No, but I understood Mr. Frawley's question to be that there was a possibility of an economic movement of coal?

A Subventions from points here to the Lakes, thence by rail into Ontario.

BY MR. FRAWLEY: Rail, water and rail, that is what I had in mind. All I am wondering about is whether or not Mr. Neate would have any discretion to put your coal into Copper Cliff rather than put Nova Scotia coal in, or whether or not the subventions just keep you out and leave it a market for Nova Scotia coal only?

A Well, I think that the whole area surrounding the Great Lakes is a non-competitive area for our coal. Not just Nova Scotia coal, but United States coal; that is my opinion.

Q It is completely United States coal except for the Nova Scotia subvention?

A Yes.

BY COMMISSIONER McLAURIN: When you say non-competitive you mean an area in which you cannot economically compete?

A That's right.

BY MR. FRAWLEY: It is non-competitive with you with existing subvention arrangements?

A Yes sir. We would very much like some arrangement that would enable us to compete, but I do not see unless there is some consideration given to the long rail haul on Western

coal, I still say that our mileage is much higher.

BY COMMISSIONER MORRISON: Or a substantial reduction in freight rates.

BY MR. FRAWLEY: I put this question to Mr. Neate about a month ago to draw him out. I said, "Why isn't Western coal taking the account at Copper Cliff?" He said, "Oh no, that has been assigned to Nova Scotia." I suppose he meant by reason of the subvention set-up.

MR. EWART: We were never told it was assigned to them by Government arrangement.

BY THE CHAIRMAN: He is making it regional.

BY MR. FRAWLEY: You mean Mr. Neate? Well, colloquially that is how he put it, but probably he meant that is where the subventions sent the two kinds of coal. And your coal, you say, doesn't go east, your railway coal, east of White River?

MR. EWART: White River on the C.P.R.

Q The corresponding point on the Canadian National is Armstrong, isn't it?

A I can't say.

Q I think it is the first division east of ---?

A Fort William.

Q I think roughly speaking it is about the comparative point.

Q You say the National doesn't take Western coal beyond Sioux Lookout? What coal does the Canadian National use as far west as Armstrong?

A My opinion is United States coal.

BY COMMISSIONER McLAURIN: Is Armstrong not east of Sioux Lookout?

BY MR. FRAWLEY: You say Sioux Lookout is the breaking point on the Canadian National?

A Yes.

MR. STUBBS: That is approximately the same distance on both railways as to mileage haul, but not as to areas served.

BY MR. FRAWLEY: But didn't you say in your brief the Canadian Pacific is taking Western coal farther east than the Canadian National?

A That's right.

Q Have you discussed that with the Canadian National fuel agent?

MR. EWART: Canadian National mines may have.

Q You are not Canadian National?

A No.

BY COMMISSIONER McLAURIN: You say that coal has gone as far as White River? Could you in a word or two tell me how much coal has gone there, what proportion of their approximate consumption and during what period?

MR. EWART: I can't give the exact figures to White River itself properly, but in the Ontario area the mines have shipped under subvention to railways approximately as high as 600,000 tons.

Q A year?

A Yes sir, and in the four years of 1940-1943 the average was 490,946 tons to railways.

BY COMMISSIONER MORRISON: That includes both railways?

A Yes sir.

BY COMMISSIONER McLAURIN: What proportion of Canadian Pacific requirements would go to White River in the year say 1940?

MR. EWART: In the year 1940, we haven't them segregated, but both railways used 2,771,000 tons, and this figure is slightly under 20% of the total railway purchases for that year.

Q That is for Canada?

A Western Canada. The C.P.R. and Canadian National together in that year 1940 had 2,771,000 tons as their total.

Q Western purchases?

A Yes sir, and that figure does include the 490,000 tons.

Q And that represents, you say, only 20% of their Western requirements?

A Yes.

Q You mean 20% of their national requirements?

A Western.

Q Where does the other 80% of their requirements come from?

A In Manitoba, Saskatchewan, Alberta and British Columbia.

Q What is the figure that represents 20%?

A The 490,000 tons which was shipped under subvention to Ontario.

Q Represents 20% of the total railway consumption between Vancouver and Sioux Lookout and White River respectively?

A Yes, that's right.

Q What proportion of railway requirements say in 1940 between Vancouver and Sioux Lookout and White River respectively were supplied by Western coal? What I am wondering is how much American coal was coming in in that year to supply that end?

A I can't give you the figure of American coal.

Q Did that supply the Canadian Pacific completely up to White River and the Canadian National up to Sioux Lookout?

MR. STUBBS: We were building at that time. The coal moved under subvention and particularly with the railway was increasing each year and the amount of railway coal used from the United States in these areas was diminishing.

Q 1940 was a peak year?

A 1942.

Q And you supplied them exclusively? You had interference towards the end?

A Yes.

Q Say 1941?

A We broke down those figures into 10 and 4 and one year periods and the figures Mr. Ewart was giving you were for the four years average, 1940-43, then in 1943 no coal at all moved on the railways into Ontario.

Q That was a control situation?

A Yes.

BY MR. FRAWLEY: Do you happen to know whether Nova Scotia coal met your coal on the Canadian Pacific at White River, or whether that was American coal?

MR. EWART: I don't know for certain but I am definitely sure it would be American coal.

Q Now I was asking you about your market in the Western United States, pre-war. You did have a market in the Inland Empire before the war?

MR. STUBBS:

A Yes.

Q Now, Mr. Stubbs, probably it is so that you don't look for any extension there. Now would you just deal with that, because frankly I have had the idea that that was a place where you could look for some increased business. First of all, what is the coal you have to meet there?

A Utah, Wyoming, Montana, coal mined in the State of Washington, fuel oil and wood products.

Q Eliminating coal mined in the State of Washington--I suppose that would beat you quite easily?

A No sir, not for heavy industry that requires high carbon coking coal.

Q So that you have an advantage on the coal mined in the State of Washington because of quality?

A Yes.

Q How about Utah?

A We feel we are superior in quality.

Q How about Wyoming?

A Yes sir.

Q And Montana?

A Yes sir.

Q By the way, I am told by the Deputy Solid Fuels Administrator in Washington that the three factors considered in coal are quality, cost and transportation?

A Generally, with the additional factor, suitability of coal to the type of use.

Q That may come in under quality?

A We have high quality coal, but in the city of Spokane United States coal does enjoy the greater part of the market because it is free-burning and suitable for stoking use.

Q Isn't your coal as suitable as a stoker fire coal?

A We are not giving any up; we are holding what we did have.

Q Why can you not get more domestic business in Spokane?

A Our coals are coking coals from most of our members, and when the householder fills the hopper with coal he wants to leave that stoker till the hopper wants replenishing, and with coking coals he does require to give it some attention, break up the coal, look after it a bit.

Q And that isn't a question of this particular unit being more suitable to the non-coking coal, is it?

A No, that is generally true of all under-feed stokers in household use. The heat value is there but it requires more care.

Q It is heat value competing against flexibility and automatic heat?

A Yes sir.

Q That, you think, is the crucial reason why you don't think you can expand your domestic business in Spokane and other cities there?

A That's right.

Q How about the industrial market down there?

A We feel we do enjoy a substantial portion of the industrial market and that there are no difficulties put in our way. It is a market that is beneficial to us and beneficial to industry in that area.

Q How about improving it, getting more business?

A Well, if there were more industries we could get more business.

BY COMMISSIONER MORRISON: In other words, you have reached your limit in that market?

A Yes sir, with present industry.

BY MR. FRAWLEY: And you think you have a quality advantage?

A Yes sir.

Q Your coal doesn't pay any duty going in there, does it?

BY COMMISSIONER McLAURIN: Nor does Wyoming coal.

BY MR. FRAWLEY: The Virginia and Pennsylvania bituminous coming into Ontario pays a duty? You have heard about that?

MR. EWART: Yes sir. We also sell very little coal in the United States compared to what we buy, too.

Q When you say "we" you mean?

A The country.

Q And have you ever thought that perhaps you are enjoying an advantage there that somebody might think it was time to eliminate?

A No sir, I can't conceive of anyone wishing to eliminate the advantage where the balance of trade is so completely and thoroughly in favor of the United States.

Q You don't think some of those Utah politicians might advocate putting a duty against you?

A Yes, but I can also conceive of Pennsylvania, Kentucky and Ohio producers of coal, with greater productive capacity and with a large market in central Canada, being very content to not have the Dominion of Canada too badly aroused in Central Canada.

Q Of course they don't mind the duty?

A They might not like increased subventions.

BY COMMISSIONER McLAURIN: They might not like an increased duty either.

MR. EWART: On a delivered price basis the duty on coal is a very small percentage as compared with other items.

BY MR. FRAWLEY: Have you gone into that very thoroughly? 75 cents is a pretty fair proportion of the mine price, isn't it?

A I said delivered price. When we buy mining machinery it is 43% on the delivered price.

Q You simply don't look for any more business down there in Idaho and Washington?

A The people in that state are optimistic that with the cheap power from Bonneville and Grand Coulee there may be developments in the light metal industry. There are magnesium and

aluminum plants in that area. At the moment no one can give us any assurance of whether they will operate in the post-war period. If they do, they are users of coal, but we have no information which would warrant us on counting on their continued operation.

Q You say they are users of coal?

A Yes, large users,

Q For steam raising?

A No, in making a ferro-silicon alloy, and also in magnesium.

Q That is for processing?

A Yes.

Q The Bonneville dam will be a big competitor, the off-peak load, as far as steam raising is concerned?

A Oh yes.

Q What is the trend down there? I suppose you are familiar?

A The trend has been to try and sell this as a basis for industrial development. The Bonneville-Grand Coulee maintain an industrial development organization to try and create new industry in that area.

Q They are not doing what they are doing in the St. Lawrence Valley area, displacing Nova Scotia coal there by selling electric steam? They are not doing that, so much in the United States?

A Not to my knowledge. They may be doing it in a minor way, but it has not had any severe competitive effects.

Q Off-peak power sold at 1/4 cent a kilowatt, you couldn't make energy for them at that rate?

A I never tried. I wouldn't think we could.

Q And of course you sell some coke down there too?

A Yes sir.

Q Do you sell mostly coal or coke, presently?

A Mostly coal.

Q And you likewise see no great room for expansion of your coke business down there?

A Coke is primarily an industrial market. The domestic market

is becoming more and more an automatic stoker market, which is not coke.

Q Have you ever tried domestic coke?

A Yes, in Spokane, but we also sell coal to a public utility there which makes coke and sells it in their community. People who wish to buy coke are supplied in that area.

BY THE CHAIRMAN: Do you have much American anthracite come into the province, competing with coke?

MR. EWART: No sir, none that I know of.

Q I am just talking of Alberta?

A Yes. Alberta is not a very good province for any kind of coal. Gas is the chief competitor. I don't think they would recognize a piece of anthracite coal if they saw it in this province.

BY MR. FRAWLEY: Mr. Ewart, you sell coal to the railways too, of course?

A Yes sir.

Q And Mr. Stubbs gave us some very interesting information here on diesel engines.

BY THE CHAIRMAN: Just before leaving the marketing end of it, do you expect to retain the markets that were practically given to you on account of the war, for example the British Columbia market, 200,000 tons of coal more during the war period to them than you were selling before?

A Yes sir.

Q And you expect to retain that market, perhaps increase it?

A Well, Trail is the largest individual user of coal and I would imagine that would be governed to a large extent by the operations of Trail, provided they operated at the same speed as during the war and whether there was a market for lead and zinc according to war demands. With regard to the only other portion of British Columbia, that is the Vancouver market, some tonnage goes into B. C. Electric, but we don't know whether price consideration and cost will enable us to obtain a share of the market after the war.

- Q What other markets did you obtain since the war that you didn't have before?
- A Our bituminous coal has been shipped into Seattle for bunkering ships under Lend-Lease, which was definitely a wartime temporary basis. We have no new markets, but rather increased tonnages in the old markets, but our greatest improvement in tonnage was the tremendous growth in traffic on the railways. That is the big factor in our increased production.

(Page 1971 follows)

BY MR. FRAWLEY - The coal which is going into the British Columbia Electric Gas Department is moving under subvention, or there is a drawback there under the Domestic Fuel Act?

A. I don't think there is.

Q. I thought there was some aid there.

BY MR. STUBBS - Are you confusing the aid given to domestic coal in British Columbia?

Q. No, into a plant manufacturing coke.

BY MR. EWART - Mr. Frawley, I think that Order-in-Council dealt with importation of United States coal, and only to Canadian coal when competitive with United States coal. There is really no competition with United States coal to Vancouver so I don't think it is paid.

Q. The Dominion Coal Company gets aid on the coal they ship to the LaSalle Company in Montreal.

A. That would be competitive with United States coal.

BY COMMISSIONER McLAURIN - Does the Dominion Coal Co. get it or LaSalle Company for coking Canadian coal?

BY MR. FRAWLEY - The Dominion Coal Company.

BY THE CHAIRMAN - Do they not get a drawback of 99% on Canadian coal that they themselves bring in?

A. Yes.

BY MR. FRAWLEY - If Mr. Stubbs is right about diesel locomotives, that would mean scrapping the equipment? You could not convert steam locomotives into diesel locomotives, or vice versa? Perhaps you know Mr. Ewart? These diesels that run between Minneapolis and Chicago, could they take that engine and make it a coal burning one?

A. No.

Q. It means scrapping that equipment?

A. Yes.

Q. I am speaking about the lines of railway that do have diesel engines?

A. Yes.

Q. There is one that uses coal, I think the North Western,

the Four Hundred?

A. Yes.

Q. I am speaking of the diesel equipment, you could not turn that back to coal burning?

A. I am not certain of that.

Q. The ordinary oil burning locomotives on the Canadian Railways, could they be converted back to coal burning locomotives?

A. I am afraid I don't know.

Q. It struck me that those engines were practically built to burn oil; they have much lower smoke stacks for one thing. I don't know anything about it of course.

A. I would presume that the railroads would purchase locomotives which would be most efficient in the use of fuel oil.

Q. And they would be built from scratch for use of fuel oil?

A. Right.

Q. A Railway Company would be slower to scrap a piece of power ^{equipment} / rather than to convert it, naturally?

A. Yes.

Q. Now Mr. Stubbs, . you refer on page 32 to the collaboration with the manufacturers of modern household equipment. I wanted to ask you whether the Crow's Nest Pass Coal Company, or any other companies of your Association were members of the Bituminous Coal Research in Pittsburg?

A. We are not.

Q. Do you know you can become members by paying the required fee?

A. We did know it.

Q. Have you considered the advisability of joining that and participating in the benefits of their research?

A. Individuals companies have, and we have considered it, but the amounts required are fairly high for the individual companies to meet with the production which we have in this area.

Q. That might be, and I should not speak perhaps without the figure in front of me. In the case of the Dominion Coal Co. I think the fee would be something like \$2500. to \$3000. a year.

However, I would like to give you that precise information in case you are interested. Or perhaps you can get it yourself.

A. We have had information along those lines from different Institutions.

Q. You may know they are working on a stove which burns Pittsburg steam coal very efficiently, and smokelessly. Surely that is something which the bituminous operators should be keeping very much in front of them?

A. We are interested. We have ordered the stove for test purposes.

Q. Do you think you will get it?

A. If we cannot get it there is not much use in being interested in it.

Q. The stove manufacturers in Canada can also get it by joining that Association. They have to join the Association to get the benefit of that.

BY COMMISSIONER MORRISON - That is closed shop.

BY MR. FRAWLEY - Yes, pretty much.

BY MR. STUBBS - A kitchen range has been manufactured in the West that is stoker fed. It is not obtainable now on account of war conditions. We have been attempting to get one of those.

BY MR. FRAWLEY - Dealing with coke. Do you think you have exhausted the situation entirely with regard to the expanding of the market for coke in your market area?

BY MR. EWART - Well we feel that way because coke is made in Winnipeg and in Vancouver to supply the local demands in those areas, and the rural area in Western Canada is adequately supplied with domestic coals with lower freight rates, usually nearer to the mines than we are with our coke, and we have not found coke a very satisfactory fuel. It is a satisfactory fuel, but not a good selling fuel in the rural areas of Saskatchewan and Manitoba.

Q. You say they are closer to the mines. You have some domestic business?

A. Yes.

Q. And it is raw coal that you sell?

A. Yes.

Q. Properly sized, and washed, and so on?

A. Yes.

Q. And if you made coke to sell you would be competing against your own prepared coal?

A. Only to a limited extent, because our prepared coal does not enjoy a large household market.

Q. And a good coke, except for some local conditions that you should know, should enjoy a good market in the domestic trade?

A. In cities, yes. Your rural trade in many cases, your foreign trade does not have furnaces in all places. You have stoves or kitchen ranges. Free burning coal is the coal they are used to and like to turn. Coke has to sell for more money than coal and has to be shipped in at higher freight rates, you can get less in a car and it takes higher freight rates and costs more money. And in the Province of Saskatchewan, take Moose Jay or Regina, the mileage from Drumheller and Lethbridge to those cities is substantially less than from Copeland.

Q. What is called the Domestic Operators, they have an advantage over you because of nearness to the market?

A. In the Prairie field. We are nearer to the Western market than they are.

BY COMMISSIONER MORRISON - And some want coal that burns all night.

BY MR. FRAWLEY - So the coal produced by these operators is a better domestic fuel than a well made coke?

A. Definitely not, I don't know of any coal for hand-firing that is better.

Q. There is not a big furnace business to go after?

A. Exactly.

Q. And you have to content yourselves with the farm trade, or stove trade, and they prefer domestic coal?

A. There is lots of coal available in Drumheller and Lethbridge and it is a hard market to go in with a new product and sell

it to the people at a higher price.

Q. And I think you did say it was not so suitable to the stove business? Do you think it is as suitable a coal for stoves?

A. No sir.

Q. Then that is a very important additional reason why the so-called domestic coal will outsell you?

A. In the rural areas.

BY COMMISSIONER McLAURIN - It is not customary to haul coke long distances for domestic use, I mean anywhere?

A. In Winnipeg it came in from Detroit, pre-war it was brought in.

BY MR. FRAWLEY

Q. By rail or boat?

A. Boat to Fort William and then all rail. From Duluth it comes in regularly.

Q. LaSalle sells their coke as far as Kingston.

BY COMMISSIONER McLAURIN - That does not begin to be comparable with the haul here.

BY MR. FRAWLEY - There would be points that would be comparable with the distance from Montreal to Kingston.

BY MR. STUBBS - We could ship our coke for 2000 miles and sell it provided the price at destination offered good value to the consumer compared to the alternative fuels in that area. It is a question of competition at the point of destination.

BY COMMISSIONER MORRISON - Dollar value?

A. That is right.

BY MR. FRAWLEY - You spoke about shipping of it. A lighter product than coal. It runs in my mind it should be possible to have the Railway Companies recognize that?

BY MR. EWART - Unfortunately they do, with the result that we pay more for shipping it. We cannot put as much coke into a box car as we can coal.

Q. It is all very well to talk of needing more and better equipment. Charcoal used to be shipped in racks and it was built up high in the car. Probably something like that is

what the coke needs. However, I have great respect for the thought which you have given these marketing problems, and perhaps there is not much in it.

BY THE CHAIRMAN - There is no doubt in the world that the housewife in the country won't use coke, if she did I am afraid her husband would have to get up very early in the morning.

BY MR. FRAWLEY - If they had that coal that burns all night, that Mr. Morrison spoke of. But coke will burn all night too.

BY MR. EWART - It is the starting up of it.

BY MR. FRAWLEY - Coke is one of the important things that this Commission has to worry about. Your Exhibit 118, Statement 3(a) shows a very small percentage of coal sold in Alberta, and the reason is quite clear. You might just explain that.

BY MR. STUBBS - Because of the supply of natural gas; the fact that there is very moderate industrialization in Alberta and most industries are located close to lignite or domestic mines. There are adequate supplies of natural gas for industrial use here and electric power is available.

Q. Natural gas is used in industry as well as to keep houses warm in this province?

A. Yes.

Q. You have segregated your railway coal and put that in one classification. Some of that 76% for the average for 1930-1939 is used in the Province of Alberta?

A. Definitely.

Q. You can say this in Alberta, other than railway coal?

A. Right.

Q. That has always been under 3% until the war years?

A. In the 10 year period, 1930 - 1939, it was 2.96%.

Q. That is because you have to meet the Power Companies, the Gas Companies and the so-called Domestic operators?

A. Yes.

Q. Mining bituminous and sub-bituminous coal?

A. Yes sir.

BY THE CHAIRMAN - Are there two Orders in Council regarding subventions in this area Mr. Frawley? Apparently there is one dealing with the \$8.00 a ton business, and another keeping them out of Quebec market altogether?

A. I had something from Mr. Neate, which I thought I had with me. I would like to be able to refer to that, and I should have had it here. I have a folder of the Orders in Council, and I have a memorandum from Mr. Neate which would make it easier for me to put my hand on these things.

BY COMMISSIONER McLAURIN - A Railway subvention and an industrial subvention.

BY MR. FRAWLEY - Yes. Primarily all coal that carries more than \$8.00 a ton freight rate consigned to Ontario points gets a subvention up to \$2.50.

Q. Other than railway coal?

A. Yes. It has to be Ontario destinations.

BY THE CHAIRMAN - Do you think that is fair?

BY MR. FRAWLEY - We will have to talk to Mr. Neate some day and get him to explain all that to us.

BY THE CHAIRMAN - Even if I am a Nova Scotian, I don't think it is fair.

BY MR. FRAWLEY - It shows great depth of vision Mr. Chairman.

BY THE CHAIRMAN - Mr. Stubbs or Mr. Ewart, there was just something I wanted to ask. You lost the market in Saskatchewan in some places, for example Moose Jaw, by competition from fuel oil. Have you any suggestions as to how you are going to avoid losing other markets through oil competition, in the Prairies if you will?

A. I think we have pointed out that practically all fuel oil is imported and there has in the past been many suggestions made as to a tax on fuel oil. It has been shown in investigations in British Columbia that the actual price of gasoline and fuel oil bear a relationship to each other; that gasoline was used to

lower the price on fuel oil so that a ready market for it could be made. We are not fully aware of those facts, but we thought that the matter had been gone into so thoroughly at other times in British Columbia, that we would not need to discuss it in detail. But we hope that there will be no further extension of the use of fuel oil so far as railways are concerned. And with respect to its importation for general use, we think we should be protected in some respects from the competition resulting from such importation. But we do appreciate that we are living in a territory in which it is hoped at least that they are going to get much greater supplies of oil now than in the past, and we feel should that materialize, then we are facing competition against home produced fuel, against which we do not hope to get any protection. We will have to meet that. But we think where it is imported to the detriment of Canadian industry and to the supplying of employment to Canadians, then we are entitled to some protection against that importation.

Q. It was not the home production that put you out in Moose Jaw for example?

A. Oh no.

BY COMMISSIONER McLAURIN - Is it just a by-product of their refined product?

A. It is from the refinery.

Q. That is kind of a natural thing too, because Saskatchewan wants gasoline, and fuel oil comes into production.

A. That is true.

BY COMMISSIONER MORRISON - Do they import fuel oil as such into that area?

A. Not that we know of.

BY MR. FRAWLEY - It comes from the three big refineries, two at Regina and one at Moose Jaw. There is something else. The search for oil now on the Prairies, if it is successful in a major way will bring a crude oil which will have in the making of gasoline a large fuel oil residue.

A. We have said that.

Q. The crude oil will be of low gravity and you will have a large amount of fuel oil, and therefore stiff competition?

A. If the hopes of the men are based on the fact as to what kind of oil they may find.

Q. The Wainwright crude, and other crudes found on the prairies will be of low gravity and there will necessarily be a large amount of fuel oil which will provide still competition?

A. We hope of course that there will be improvements in cracking process and probably use up the residue in that way.

Q. But the railways are using some coal now, are they not?

A. Over 70% of our production, and we hope they will continue, and use more.

Q. And if low gravity crude oil is found in Alberta, they will look to the locomotives that are now using your coal.

A. We believe that.

BY COMMISSIONER MORRISON - Have you estimated what additional tonnage you would need if both railways burned coal?

A. We have shown an equivalent of 300,000 tons a year displaced by oil.

Q. And in that displacement you are referring to the mountain area only?

A. That is right.

BY MR. FRAWLEY - Will you follow these Orders in Council with their different numbers. These are the Orders currently in effect authorizing assistance to the Alberta and British Columbia Crow's Nest Pass coal.

P.C. 7588, dated Oct. 1, 1941?

A. We have that.

Q. P.C. 9794, dated December 16th, 1941?

A. We have that.

Q. P. S. 4740, dated June 5th, 1942?

A. We have that.

Q. P. C. 10592 dated November 27th, 1942?

A. I don't know that one.

Q. P. C. 4226, dated May 24th, 1943?

A. I don't know that one.

Q. P. C. 6570, dated August 22nd, 1944?

A. No sir, I don't know that one.

Q. P. C. 3971, dated December 5th, 1939?

A. No sir, don't know that one.

BY COMMISSIONER McLAURIN - What do you mean by "currently in effect"? Mr. Frawley?

A. At the moment.

Q. Right now?

A. On or about 1st March, 1945.

Q. Is that right?

A. Mr. Ewart does not follow me on them all?

BY MR. EWART - Some of them might be for British Columbia but not applicable to bituminous coal in our markets. I have a record of 1936 and 1937. That is the last I have.

BY MR. FRAWLEY - Still talking about subventions, will you look at what Mr. Stubbs has submitted on page 40. He speaks of the variation in the application and the desirability of having the provisions for subvention made by Statute. As a marketing man Mr. Ewart, why do you find the present system not particularly satisfactory, and if you would give us some concrete instances it would perhaps illustrate it better.

BY MR. EWART - Well I know that Western coal was, prior to when subventions were in effect, sold to Kenora, Ont., as well as Dryden and Fort Frances. I wrote to the Coal Controller in March of this year and asked how much subvention would be paid on our coal for shipment to Kenora, because until we know the freight rate that will be paid by the consumer, we are not in a position to go and ask them for the business. And when we did ask for the information, I received a letter which stated, and I quote part of it - "Our present figures are as follows, but these are based upon last year's costs and are liable to change. In fact we cannot guarantee as exact even last Summer but they are based upon published prices plus known transportation costs." That is the knowledge available for the U. S.

competition we would have to meet.

BY MR. YOUNG - You didn't read the last paragraph.

BY MR. FRAWLEY - I think it would help to put this in the record.

BY COMMISSIONER McLAURIN - Why not just set out who it is from and the date.

BY MR. FRAWLEY - It is from C. L. O'Brien, Assistant to the Coal Controller, dated 27th March, 1945.- and states: "Our present figures are as follows, but these are based upon last year's costs and are liable to change. In fact we cannot guarantee as exact even last Summer, but they are based upon published prices plus known transportation costs." Then follows a statement showing the comparison between United States coal and Canadian coal, slack coal.

BY COMMISSIONER MORRISON - Is that signed by Mr. O'Brien?
A. Yes, Special Assistant to the Coal Controller.

BY THE CHAIRMAN - Did you get what you wanted Mr. Young?
A. No.

BY MR. EWART - I brought that letter forward to show all relevant material but there are quotations of prices there which I think are private. Mr. Young did ask for the last sentence, and I have no objection to that.

BY MR. FRAWLEY - The concluding sentence is "I trust this gives you the data you require."

BY MR. FRAWLEY TO MR. EWART

Q. I think it goes without saying that that is perhaps all you want to say about subventions?

A. We want to know where we are so that we can quote a price to a customer and ask him for the business, and we are not in that position at the moment where the subvention is subject to a difference in price.

BY COMMISSIONER MORRISON - And sometimes the appropriation runs out?

A. Of course recently there has been no movement which would draw on the funds.

BY COMMISSIONER McLAURIN - You would like it so that you could look five or ten years ahead and know that the Government of Canada had given some backing to the subvention policy?

BY COMMISSIONER MORRISON - For at least a ten year period?

BY MR. FRAWLEY - I understand that as far as the Dominion Coal Company of Sydney taking the Coppercliff business, they they simply went into the Coppercliff themselves and asked the Purchasing Agent what the laid down price was on his Virginia coal, and he said so much a ton, ^{\$5.20 I think,} and the Dominion Company said "We will supply it for you with no increase to you." Is that the kind of information you would like to have and cannot readily obtain?

A. No, I would like to see us have an area of Western Ontario to Fort William with a specific amount fixed by subvention over a period of years, and some different amount perhaps east of Fort William where the competition required greater assistance.

Q. But just this business of not being able to find out the laid down cost of American coal. Could you not find that out by going to the prospective customer and asking him to give you his mine price and transportation cost? What is the difficulty there?

A. The difficulty is that a Purchasing Agent is there to buy coal at the best value for his plant, and that is his duty, and if he is going to go to any Western coal mine and walk in and tell them what he is paying for coal, and possibly getting a good deal here, and a better price somewhere else, he ceases to be a competitive buyer of coal. He is no longer functioning as a competitive purchaser of fuel.

Q. Does that strike you as rather extraordinary, the manner in which the Dominion Coal Company took the business from the Virginia Coal Company at Coppercliff?

BY THE CHAIRMAN - Is that not perhaps just a little blow on the part of the Purchasing Agent of the Dominion Company?

BY MR. FRAWLEY - He got it from the Nickel people.

BY MR. EWART - The price you stated of \$5.20 a ton - our net

freight rate has never been less than \$5.50 a ton. We really don't know how that business was handled, how they got it; we know that we were hopelessly underbidden.

Q. Why could you not do the same with the Kenora Paper Company that they did with Mr. Waterbury?

BY COMMISSIONER McLAURIN - He has never had any experience of that kind with an Order-in-Council until he got Mr. O'Brien's letter. Why ask him about something he has never encountered, and if he did encounter it, he was in a fog about it.

Q. You have never had the difference in the laid down price of American coal?

A. We had 30% off of the freight rate. We knew the mine price, and the freight, and the delivery price.

BY MR. FRAWLEY - You could not do business on the basis of that kind of information. But I think you could go into Mr. Neate's office and arrive at very definitely what it was costing a particular customer of yours to put in American coal.

A. In peace time I would not know how Mr. Neate would have the information as to the price paid for United States coal at all of these plants. They are doing a private business, and many companies feel that the price they pay for coal, and the relations with their sellers, are private and confidential business.

Q. And you do make the suggestion here that to get rid of that, put in a Statute naming an area and tell us how much we can have to get into that area?

A. Yes sir.

BY COMMISSIONER MORRISON - And for ten years?

A. Yes sir.

BY COMMISSIONER McLAURIN - Don't make it too long, you might want to up-it.

BY MR. FRAWLEY - I would like you to expand on this. On page 43 of his Brief, Mr. Stubbs said, speaking of the Dominion Fuel Board - "During the war years the functions of the Board have been merged with that of Coal Control, and even prior to the

war the Dominion Fuel Board has ceased to function as a Board because of removals and deaths. The work of the Board then seemed to be concentrated upon the Secretary who could act according to his discretion and within the regulations, or not act by disclaiming authority." Would you mind just elaborating upon that perhaps again, by being concrete as to some particular instance.

A. I don't know that I can give you any particular instance for the record, but the effect is that it is recognized that the Dominion Fuel Board virtually ceased to function because of the difficulty of getting the various heads of departments together, and because of removals by death, leaving the work largely to the Secretary, and it was very largely discretionary with him.

Q. How do you mean?

A. He could act according to his discretion and within the regulations, or not act by disclaiming authority. Where requests were made to him for policy, rulings or assistance by the Dominion Fuel Board that may be outside the regulations, within his authority probably, the situation has been that he would either act or not, as the case required. And certainly we think that the Fuel Board, if it is given effect and proper existence again, that it should be set up with proper representatives direct from the coal industry, and with statutory provisions regarding subventions and instructions regarding the duties of the Board, so that everybody will know clearly what is required.

BY COMMISSIONER MORRISON - It would be something like a reply stating "The matter will be dealt with by our Board of Directors at their next meeting" knowing that it would not meet that year?

A. That is perhaps right.

BY THE CHAIRMAN - The Fuel Board did not have much control over industry as such, I don't mean the operating end of it, would you suggest that if subventions are continued, that you consider satisfactory, that the Fuel Board, or some other Board, would have some little authority over the coal industry as such.

I don't mean to go into an operative mine. You say the Government are paying out large sums of money to get coal east and west into the Ontario market (and I hope they will after the war too), don't you think the Board set up to administer that should have some little authority, should say you must do certain things with certain kinds of coal, make regulations for example?

A. I would say they must. The point of view we have is, if we have to have government assistance, then you accept certain controls parallel to it. Not necessarily that they affect the operation of the mine, but it would be necessary for them to determine upon what kinds of coal would be taken into certain areas, and the standards of certain screen sizes, and certain qualities. We could not object if they were carrying out statutory regulations which would assist in spreading the market for coal.

Q. Don't you think if they were into the business to that extent, that the bill was running into millions of dollars annually, that they should have something to say in regard to the cost?

A. I don't think our people have ever been able to get away from that, they have had to submit all their business to the Government, not only in seeking assistance but even outside. All items are submitted through the Dominion Fuel Board and through the Bureau of Statistics.

BY MR. FRAWLEY

Q. You say you have submitted these costs to the Dominion Fuel Board. What has been the mechanics of that? You submit them and they are accepted I take it. Has there been any effort by the Fuel Board to investigate the accuracy, perhaps I should say the veracity and accuracy of the figures you have submitted?

A. Not to my knowledge by the Fuel Board, but through the Coal Controller, yes.

Q. Through the Emergency Coal Board?

A. Those figures are all submitted under affidavits.

Q. But if you think it is right that the government should be paying out these large sums, don't you think they should have

some larger voice in the operation, probably they should have the right to say something about your costs?

A. We have pointed out that subventions are not paid to the mining companies, but to the consumer or railways, and that money does not go into the companies' accounts.

Q. But they really let you live?

A. We lived before subventions. We acknowledge the assistance we have received.

Q. If subventions were withdrawn completely, could you function quite satisfactorily?

A. We would say so far as our section of the industry is concerned, if all government controls are removed and business allowed to find its proper competitive level, our people are prepared to accept it. But if certain government controls must be retained, then we feel we are entitled to parallel protection to that received by other industries, or to the point of the increased costs that might limit our market as the result of government control.

Q. You say you think that such a Board as the Chairman has suggested - in fact you say on page 43 that apparently the original concept was that there should be a functioning Fuel Board, and it was never intended that that number of millions of dollars of subventions should be paid out except through the intervention of a properly constituted Board.

A. We think so.

Q. And you think as a result of recommendations of this Commission, if subventions were continued, you think there should be a properly functioning board re-established?

A. We do.

Q. And I suggest to you that one of the duties of that Board would be about the money spent in the operation?

A. The operation of the mine?

Q. Yes?

A. No, none of the money provided by subvention would go to the mines at all.

BY THE CHAIRMAN - If you were making 50¢ a ton profit and the Dominion Government gives you an extended market of 200,000 tons a year by money paid out by them, I don't care to whom it is paid, does that not increase your profits?

A. It has been quite impossible for us to measure in any sense how the profits of the industry have been affected by subventions. . . We are aware of the fact that if we increase our working days it does reduce the overhead, but when we submit to you the figures with respect to recovery or the price of coal, it is shown consistently in our history that whenever we have been able to reduce those figures, it has been passed on to the customer in the hope of getting a wider market.

Q. But you would not look for a market in Ontario unless you could get a profit?

A. I think the industry would be happy indeed if it could show a profit of 50¢ a ton.

Q. I am only pointing out that indirectly subventions would add to your profits, or reduce your losses.

A. I think I answered the question. We cannot measure the exact benefits to the companies from the subventions in dollars and cents, because the effort is always to get the price down to where the customer will take it and where we can expand the market. We feel that with subventions being for that purpose and not going through the books of the company, that it is not a matter where the Dominion Fuel Board or the Coal Controller should have access to the books of the Company. We feel that that Board should exercise some control with regard to the classification of coal, and so on.

Q. Would it not be necessary if the Statute came into effect under certain conditions today, and was in effect for five years, and giving certain subventions, would it not be necessary for the Government to know what it is costing you to produce, to see whether subventions are necessary? It may be that the coal industry in the United States goes up in smoke, or one of a dozen things might happen, I can see that it would be, under

all the circumstances, necessary for the Government who are subsidizing the coal, or railways if you wish, to know what it is costing you to produce it.

BY COMMISSIONER McLAURIN - To have access to the books of the company to the point where it is necessary for the Government to determine what subvention is warranted.

A. They do that now.

BY THE CHAIRMAN - Before the war could they do that?

A. Yes, they could get that information.

BY MR. FRAWLEY - But they never did. The Dominion Fuel Board never did.

A. Yes, it was supplied to them by all the companies under Statutory declaration. They can continue to get them, but we do not agree that they are entitled to them.

Q. You say you furnish them because they require them, under sanction of law?

A. Yes. Therefore they get them. But I protest that, because the Government may through the Fuel Board assist the industry by subvention, to widen its markets, does not entitle the Fuel Board to make demand for those figures. That is our position.

Q. It is just the difference between direct and indirect?

A. Exactly.

TO MR. EWART

Q. Mr. Ewart, you move a lot of coal under subvention?

A. Yes.

Q. That is enjoyed by your company?

A. Yes.

Q. Glad to have it?

A. Yes.

Q. Would you want it taken away from you?

A. No.

A. Now what do you think about the propriety of a reconstituted Dominion Fuel Board, not excepting statutory declarations however exacting they may be, about the Board going into your records to see that the subvention is and continues to be a justified one?

A. We would have no objections to the facts being known to any proper government body, but there can be too high a price even for subventions if it meant extension of government enforcement into our business to where it militated against its efficiency and management, and to that extent, I am always afraid that you start with a little government control and end up with a lot.

B. Perhaps then you don't want subventions?

BY THE CHAIRMAN - Your question was, Mr. Frawley, would you have any objection to the Fuel Board going into your office and looking into the books to ascertain whether or not subventions are necessary?

A. No objections.

BY COMMISSIONER McLAURIN - Before you depart to another subject. I am still not clear on the functioning of the Dominion Fuel Board. There is reference in 1939 (when it was a one man Board) that he either disclaim authority or exercise discretion. If someone asked me to elaborate on that subject, I am afraid I know as much about it as before I came in here. It is general language, but can you give us a specific instance of where you properly applied to the Dominion Fuel Board in 1939 when they were disintegrating, and you asked them to do something and they refused, or you asked him to do something and he exercised perhaps a capricious discretion?

A. I could not put my finger on any particular instance, but I think we have given you a fair record of what the Fuel Board is supposed to do. We appreciate the difficulty in the way of suggesting policy. We appreciate what they have done with respect to subvention, and we have pointed out where these subventions have enabled us to get into certain markets. But there has been a demand for some time for a definite understanding of what a Canadian Coal Policy for Canada should be. As we have pointed out, that has been really the duty of the Dominion Fuel Board to investigate in that respect to see how far Canada may be made self-sufficient in the matter

of coal supply. As we pointed out the functions of the Board disappeared, and became merged in the Secretary, who possibly has not looked at the situation from the same angle as ourselves.

Q. As far as Western subventions are concerned, they were all fixed and as long as there was any money in the Treasury to pay them, the duty of the Fuel Board was quite clear?

A. Yes, to pay them, and when there was not sufficient money they were not paid.

Q. Did that money run out often?

A. No, but there were occasions when it did. I think Mr. Ewart can tell you more than one instance where on 30 days notice no subvention could be paid.

BY MR. EWART - But we were never cancelled in case of money running out. These were changes in subvention rates promulgated by the Board. We didn't have any subventions cancelled on us which affected our supply of coal because the money had run out.

BY COMMISSIONER McLAURIN - So there were annoying changes, but never a time when the money was exhausted?

A. Not in our company.

BY MR. FRAWLEY - I think I should say for the record that Mr. Neate has given me a lot of information about what the Dominion Fuel Board has done. I would not want the impression to go abroad that we asked these questions because he has not given us the information of the Dominion Fuel Board. Whether he has given us all the information, I don't know, but he has given us a good deal of information within the past few months.

BY THE CHAIRMAN - What was the set-up of the Dominion Fuel Board? Three men or four?

BY MR. FRAWLEY - Originally a Committee of the Cabinet, and that was transferred to about 4 or 5 men.

BY THE CHAIRMAN - Mr. Stubbs' objection was that there came a time when this Fuel Board had no real authority to function because it consisted of one man.

BY MR. FRAWLEY - For practical purposes, it did.

BY MR. STUBBS - There were some remaining heads of the

different departments.

BY COMMISSIONER McLAURIN - My recollection is that the preamble to the Statute would make some reference to the National Fuel Policy and the insufficiency of Canada to meet its coal needs, and you say this Board never grappled with the problems?

A. Yes.

Q. But it has dealt with the subventions?

A. Yes.

BY MR. FRAWLEY - And it has made investigations with regard to combustability and that sort of thing?

A. That is through their research and tying in with other departments. They have given us a fund of information which is very very valuable, and we would like to have it continued.

Q. Is this bug-bear of seasonal production as important in your industry as in the Domestic Association?

BY MR. STUBBS - No.

Q. We would like to hear about that from you?

A. In general railway requirements are made on such a basis that in the variation that takes place in the amount of coal ordered there is allowance made for such variation in requirements as brought about by seasonal changes. Over the long term as we point out, we are affected by agriculture. That is, by the kind of climate we have at any given time. But in so far as operations of the mines are concerned, we are not bothered because of seasonal fluctuations. In some cases where winter requirements are slight, and railways take more coal during the summer season when those requirements are down.

Q. Your success or otherwise is tied pretty well to the railways?

A. Yes.

BY COMMISSIONER MORRISON - There has been a time in pre-war years when your mines were down to 1 and 2 days a week?

A. Yes, but they were down throughout the year to that time.

BY MR. FRAWLEY - Because the rolling stock was not rolling?

A. Because they didn't have sufficient orders. Mr. Morrison is introducing another angle. And that is that the actual

requirements from any mine may be different. The railways have not ordered coal that would keep every mine going 2 or 3 or 4 days a week. There is a difference in the quantities ordered. Your question is seasonal.

Q. Some operators were better salesmen than their competitors and secured more business.

A. The only record we have is that some mines only worked 2 days and others five.

Q. And whether it was performance on the part of the railway or better salesmanship is a matter of conjecture?

A. That may be, yes.

BY MR. FRAWLEY - You have not said very much about the technique of the purchase of railway coal?

A. No, that would be beyond my province as Secretary of the Association, because, as I pointed out, that is one of the things that does not come within the Association. The companies handle their own business in selling coal.

MR. FRAWLEY TO MR. EWART

Q. I would like to ask you a couple of questions on that. Is there any condition existing in the bituminous coal industry, in that group of companies, which in your opinion makes for an unsatisfactory state of affairs in so far as railway purchases are concerned?

A. Nothing that I know of.

Q. Does the fact that some of the coal mines in the area you operate are said to be controlled by one of the railway companies, does that militate against the proper operation of your business in any way?

A. Not that I know of. Our relations are satisfactory, we are getting a good tonnage, and we don't know of any way in which we are discriminated against.

. The price does not militate against you? You are getting all the money you think you should get from the railway company?

A. No.

BY COMMISSIONER MORRISON - Do you set the price of coal to the railway company?

A. We do.

Q. Have you always done so?

A. I have only been there 4 years, and in that time we have.

Q. Then your experience is really war years?

A. Yes.

Q. So the matters which Mr. Frawley discussed about price and technique, are really before your time at Fernie?

A. If that is what he has in mind.

BY MR. FRAWLEY - I am referring to the present now. You say that everything is all right?

BY COMMISSIONER MORRISON - Does not Coal Control set your price now?

A. I don't know.

Q. They set the maximum?

A. Yes.

Q. So in reality coal control does set the price?

A. Yes.

Q. And if it was not setting the maximum at the price they have now set it, there would be reason to assume that your company might get a little more?

A. I don't know. The position is that prices were in effect when the War Time Prices & Trade Board came into effect.

Q. They were scandalously low?

A. I would not say that.

Q. They were too low?

A. I think it was different with each individual company depending on its own costs.

Q. You were satisfied then with the profits you were making?

A. We are never satisfied with those.

Q. And a good way to make more would be to get more money?

A. It would be if we were able to satisfy the customer that he was getting a fair deal, and he used our product to the maximum.

Q. But you are operating free enterprise, not co-operative?

A. That is all right.

Q. You don't hand our bonuses and dividends?

A. No.

Q. So co-operatives as far as you are concerned, is very nice to have in all walks of life, but you want to sell at a price that enables you to operate and sell at a profit?

A. Right.

BY MR. FRAWLEY - How is the railway price of coal arrived at?

BY MR. EWART - The actual practical experience is that we had certain prices in effect. At a time when coal became scarce, which I would say was in 1941 and 1942, and changes in operating costs and conditions from that period of time, including wage increases, were taken up with coal control, and we submitted the increases resulting from these changes, and we asked the War Time Prices and Trade Board, through the Coal Controller, to have our prices adjusted accordingly, and that has been done to the extent that we submitted the request to the Coal Controller.

BY COMMISSIONER McLAURIN - I understood the Brief to say you ran into a period where you had a lot of increased cost and were given no assistance.

A. In our relations with the railway, whatever we were able to substantiate and felt we were justly entitled to and went to the Coal Controller, we did get. I am speaking for the companies we represent.

BY MR. FRAWLEY - So when the prices were frozen, the Coal Controller fixed your price?

A. I do feel that what might be satisfactory to one man, might not be to another, but it is up to them to put their story to the Coal Controller.

Q. But that certainly is not part of the Coal Controller's system, they would not ask the railway to buy from one mine at one price and another mine at another.

A. I have been told that that is done.

Q. Assuming that there is no more coal control, no War Time Prices & Trade Board, and no coal mine control, and we have the coal mines on one side and the railway on the other, and the price has to be established. What is the technique?

A. The Railway Company write us a letter advising that they are prepared to receive bids for coal up to a certain date. We then consider the matter and make a bid at that date. In due time we are advised that we have been awarded so much coal, or a certain proportion of the order. That is really the technique of handling it.

Q. At what price?

A. At the price we bid.

Q. Then you have fixed your own price, and that is an ideal situation. You spoke of an acceptance?

A. Yes.

Q. You might never hear any more from the Railway? There has never been a time when they have not sold any coal to the railway?

BY THE CHAIRMAN - Didn't I hear the witness say he went to the Railway and asked what they were giving for coal?

BY MR. FRAWLEY to Mr. Ewart

Q. You first put in your bid?

A. Yes.

Q. And you put in a price?

A. Having due regard to what we consider to be the competitive position of the industry. The same as when I quote to an industrial user, I try to outguess my competitors, and try to satisfy the customer, and still keep in business and make a little money. That is what we try to do.

Q. You receive a request from the railway company, that they will receive bids up to a certain date?

A. Yes.

Q. You put in your bid?

A. Yes.

Q. And you say you ultimately get an answer that your bid has been accepted for so many thousand tons?

A. Yes.

BY COMMISSIONER MORRISON - At that point you expect your competitors would get a similar letter asking them to quote on this business?

A. I imagine they would.

Q. As a matter of fact you are pretty well aware that they do?

A. We know that the railway, the C.P.R. buy in a contract year, April 1st to March 31st, and it is customary to ask for bids.

Q. Don't you usually get another telephone call notifying you to come to a little love feast in Winnipeg (or Montreal in the case of the C.N.R.), and generally the operators proceed down to the city where the contract is being made and sit around the hotel until it comes their turn to enter the parlor and talk things over, nice and friendly of course?

A. I think the operators have never had to have that invitation, and I think when those bids come up they get on the train and go and try and sell the coal without being invited.

BY MR. FRAWLEY - You didn't tell me that. You said you got a letter asking for bids.

A. I don't take that statement back. I do say we bid on lots of jobs, but we still go in and ask for business.

Q. And you don't go in to Montreal and Winnipeg to reduce that bid, or try to get it up? You have made the bid and wait for an acceptance or rejection of your bid?

A. In the years I have been in Fernio, that is correct. It is highly competitive business.

BY COMMISSIONER MORRISON - In the four years that you have been with the Crow's Nest Pass Coal Company, they have been exceptional years? They buy more coal than you can produce?

A. Yes.

Q. No question of trying to sell the coal, but trying to satisfy your customers has really been the trouble, has it not?

A. Yes.

Q. So you have never been at Winnipeg or Montreal waiting your turn to be called in on the question of price?

A. No sir, I never have.

Q. You have heard of it though, Mr. Ewart?

A. No, I don't think I have in the way you express it.

Q. You do know that in years gone by, prior to you being with the Crow's Nest Pass Coal Company, it was not as simple and as ideal as it has been for the past four years?

A. I don't say it is ideal, it is fighting competitive business in which we are trying to give the best value we can, and to get as much business as we can.

Q. And in turn the railways try and buy as cheaply as they can?

A. If they do, they do what every purchasing agent I have ever met, has done.

Q. And you have competition in your own industry?

A. We have.

Q. And you know that some coal mining companies operating the same as you, sometimes in the past have enjoyed a greater tonnage from the C.P.R. than others operating in the same area?

A. I believe that to be the case. I cannot speak with certainty.

BY MR. STUBBS - I think you can get some information from reading the Exhibit, "Analysis of Cost of Living Bonus" and in that we give some information on how recovery was made. There seems to be some misunderstanding that when price is controlled by ceiling, that negotiations for price does not exist, but if you will go over that submission you will discover that that is not so. That at various times the Companies were told to dicker with the railway and they received permission to do so, but in no case was it compulsory on the railways to pay that additional price.

BY THE CHAIRMAN - Mr. Frawley, was your question that you directed regarding the business associations between the operators and the railways, did you have anything in view to indicate that the competition was too keen between the operators, or that the Railways were not giving certain operators a fair show?

BY MR. FRAWLEY - Just the suggestion that the railway companies might have created what is sometimes called a buyer's market, and

they were not equally at arms length, and one not able to trade as powerfully perhaps as an independent operator should be.

BY COMMISSIONER McLAURIN - And we may assume from an operator's point of view, their competitive relations were satisfactory?

BY MR. FRAWLEY - Mr. Ewart's answer leaves it a desirable kind of business. When a mine gets its own price.

BY COMMISSIONER McLAURIN - You don't get the business just because you bid. Someone else is bidding.

BY THE CHAIRMAN - The only reason I asked that question is this: that a good deal has been said about the railways East and West, about their unfair treatment of coal operators and producers. To date I do not think, and I am speaking perhaps from memory, I have not heard one item of evidence that would make me come to that conclusion.

BY MR. FRAWLEY - I was willing to go a little further. It seems to me that Mr. Ewart has been so fair when he says he puts in a bid and gets that price. What possible interference could there be on the railway's part. They don't come in and say we will give you half of that.

BY COMMISSIONER McLAURIN - Say it is a buyers market. I notify 15 to bid. There is only one that is going to get my business, and the other 14 might think it a pretty harsh and harrassed world.

MR. FRAWLEY - I was going to leave it as Mr. Ewart left it, but perhaps it should be further explored in the morning.

4:40 P.M. HEARING ADJOURNED

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